P.A.C. 15

PUBLIC ACCOUNTS COMMITTEE

1956-57

TWENTY-THIRD REPORT

[Appropriation Accounts (Civil), 1952-53 and Audit Report, 1954—Part II and Audit Report (Civil), 1955—Part I]

Vol. I—REPORT

LOK SABHA SECRETARIAT
NEW DELHI
March, 1957

CORRIGENDA

Page (i), line 3: *for* 'COOMPOSITION' *read* 'COMPOSITION'.

Page 6, line 6 from bottom: *delete* 'the' *before* 'due'.

Page 13, line 12: *insert* 'action' *before* 'should'.

line 4 from bottom: *insert* 'be' *before* 'taken'.

Page 14, line 14: *for* '?F' *read* '6' and *for* 'leave' *read* 'lease'.

Page 17, line 8 from bottom: *for* 'Officers' wife' *read* 'Officer's wife'.

Page 21, line 3, *for* 'Charged-Affaires' *read* 'Charge-d'-Affaires'.

line 14: *for* 'Bulding' *read* 'Building'.

Para 57, line 1: *for* 'of' *read* 'to'.

Para 58, line 2: *for* 'is Octomber' *read* 'in October'.

line 4: *add* 'a building. The purchase was' *before* 'finalised'.

line 5: *delete* 'a building. The purchase was'.

Page 23, para 64, line 3: *for* 'come' *read* 'came'.

para 65, line 8: *for* 'Adhil property' *read* 'Adhil Properties Ltd.'.

Page 41, para 128, line 2: *for* 'clause' *read* 'clause'.

P .T.O.

ADDENDUM

Page 41, Para 129, last line: *for* 'conrtcat' *read* 'contract'.

Page 43, line 14, *delete* 'Calcutta'.

Page 48, last line: *for* '1055' *read* '1955' and *delete* ','.

Page 52, line 6: *for* 'inact' *read* 'intact'.

Page 87, line 1: *for* 'Bulding' *read* 'Building'.

line 17: *for* 'f the bfuilding' *read* 'of the building' and *for* 'Rs. 6.8 lakhs' *read* 'Rs. 6.8 lakhs'.

Page 91, line 8: *for* 'terms' *read* 'term'.

Page 93, line 5 from bottom: *for* 'subsided' *read* 'subsidised'.

Page 96, para 241, line 12: *add* 'was' *before* 'further'.

Page 97, lines 20 & 22: *for* 'mortgage' *read* 'mortgagee'.

Page 101, para 248, line 11: *for* 'whether' *read* 'weather'.

Page 103, line 24: *for* 'teotal' *read* 'total'.

Page 104, line 31: *for* 'Dsplaced' *read* 'Displaced'.

para 254, line 2: *for* 'Rs. 30,000' *read* 'Rs. 30,00,000'.

Page 105, line 7 from bottom: *for* 'Bangal' *read* 'Bengal'.

line 3 from bottom: *for* 'Negivation' *read* 'Navigation'.

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3

Page 110, line 17: *for* 'therefore' *read* 'therefor'.

Page 120, Col. 4, line 12 *for* 'tsust' *read* 'trust'.

Page 122, Col. 4, line 4: *for* 'vernight' *read* 'overnight'.

Page 126, Col. 4, line 15: *for* 'wthe' *read* 'the'.

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2534 L.S.—1

COMPOSITION OF THE PUBLIC ACCOUNTS COMMITTEE, 1956-57

Shri V. B. Gandhi—*Chairman.*

MEMBERS

2. Shri K. G. Deshmukh
3. Shri U. Srinivasa Malliah
4. Shri Diwan Chand Sharma
5. Shri C. D. Pande
6. Shri Kamal Kumar Basu
7. Shri V. Boovaraghasamy
8. Shri Jaipal Singh
9. Shri Nibaran Chandra Laskar
10. Shrimati Tarkeshwari Sinha
11. Shri Tribhuan Narayan Singh
12. Shri Radhelal Vyas
13. Shri C. P. Mathen
14. Shri J. B. Kripalani
15. Shrimati Shakuntala Nayar
16. Shri G. Ranga
17. Shri R. M. Deshmukh
18. Shrimati Pushpalata Das
19. Shri Shyam Dhar Misra
20. Shri P. T. Leuva
21. Shri B. C. Ghose
22. Shri J. V. K. Vallabharao.

SECRETARIAT

Shri S. L. Shakdher —*Joint Secretary.*
Shri V. Subramanian —*Deputy Secretary.*

INTRODUCTION

I, THE Chairman of the Public Accounts Committee, having been authorised by the Committee to present the Report on their behalf, present this Twenty-third Report on the Appropriation Accounts (Civil), 1952-53 and Audit Report, 1954—Part II and Audit Report (Civil), 1955—Part I.

2. The Appropriation Accounts (Civil), 1952-53 and Audit Report, 1954, Part II and the Commercial Appendix thereto were laid on the Table of the Lok Sabha on the 16th March, 1956. The Audit Report (Civil), 1955—Part I was laid on the Table of the Lok Sabha on the 23rd May, 1956. The Committee examined the Accounts and Audit Reports during their sittings held in October, November and December, 1956.

3. The Committee received evidence on a number of points, on some of which they thought it unnecessary to report further after their discussions with the representatives of the Ministries. They trust the remarks of the Comptroller and Auditor-General in the Reports on these points will receive attention.

4. A brief record of the proceedings of each sitting of the Committee has been maintained and forms part of this Report.

5. In paragraph 5 of the Introduction to their Sixteenth Report, the last Committee had commented upon the delay in furnishing to them the information called for by them and recommended that the Ministries concerned should deal with such requests with utmost promptitude and invariably furnish the information to the Committee within a period of one month unless the circumstances in a case were such as to warrant a longer time; even in such cases, the Committee desired that they should be apprised of the reasons. The Committee regret to observe that the position has not improved. In a number of cases the Ministries had taken a long time in furnishing the information and in some others, the information is still awaited. This hampers the work of the Committee and delays conclusions on matters discussed. The Committee feel that a senior officer in each Ministry should be nominated to be responsible for furnishing information called for by the Committee, taking appropriate action on other requests and for dealing with their recommendations.

6. The Committee very much desired to complete the examination with the Ministry of Finance of the Appendix to the Audit Report, 1955—Part I of the Comptroller and Auditor-General formulating certain proposals regarding Estimates and Financial Control. The Ministry of Finance, however, desired to have some more

time to examine the various proposals made by the Comptroller and Auditor-General and have promised to submit a detailed Memorandum for the consideration by the Public Accounts Committee in January. The memorandum is still awaited.

7. A statement showing the summary of the principal recommendations of the Committee is also appended to the Report.

8. The Committee place on record their appreciation of the great assistance rendered to them in their examination of these accounts by the Comptroller and Auditor-General.

NEW DELHI;
The 19th March, 1957.

(V. B. GANDHI)
Chairman,
Public Accounts Committee.

I

FINANCIAL RESULTS OF THE GOVERNMENT OF INDIA, 1952-53 (CIVIL GRANTS)

1. The budget for the year 1952-53 was first presented to the Provisional Parliament as usual in February, 1952 and a vote on account for Rs. 577.6 crores was obtained on 4th March, 1952 to enable Government to be carried on for the first four months of the year, until the first Parliament of the Indian Republic elected on the basis of adult franchise assembled in May, 1952 and passed the budget. The budget for the whole year, inclusive of the vote on account was presented on the 23rd May, 1952 and voted by Parliament. In this budget, Government implemented their decision to present to Parliament demands for gross expenditure instead of for net expenditure as hitherto. The rational re-arrangement of demands Ministry-wise, first initiated in 1951-52, was practically completed during the year.

2. Another important change which affected the budget was the ommission of the estimates relating to Part 'C' States. As a result of the enactment of the Government of Part 'C' States Act, 1951, the budgets of Coorg, Himachal Pradesh, Vindhya Pradesh, Delhi, Ajmer and Bhopal were taken out of the Central Budget for presentation to the respective State Legislatures. As regards Delhi State, however, the receipts and expenditure pertaining to certain 'State' subjects continued to be included in the Central Budget because of certain reservations made in the said Act in this behalf. The capital requirements of these Part 'C' States and their Debt, Deposit and Remittance transactions were continued to be included in the Central Budget.

3. During the year under review, the voted grants for Civil Expenditure stood at Rs. 544.32 crores (Original Rs. 507.31 crores and supplementary Rs. 37.01 crores), and the appropriation for 'Charged' expenditure at Rs. 1522.52 crores (Original Rs. 1487.14 crores and supplementary Rs. 35:38 crores). The total expenditure against these grants and appropriations was Rs. 413.26 crores and Rs. 1519.85 crores respectively. Out of this expenditure, Rs. 281.79 crores was on Revenue Account, Rs. 230.91 crores on Capital Account and Rs. 1420.41 crores on disbursement of Loans and Advances. There was thus a saving of Rs. 133.73 crores over final grants and appropriations (Voted Grants—Rs. 131:06 crores and charged appropriations—Rs. 2.67 crores).

4. The percentages of savings and excesses as compared with the original and final grants or appropriations as modified by supplementary grants or appropriations were as follows:—

	Savings(—) or Excess (+) crores	
	Original	*Final*
Voted	—18·5	—24
Charged	+2·2	—·171

5. The following table shows at a glance the particulars of the original and final grants or appropriations and the expenditure actually incurred against them under the heads (i) Revenues, (ii) Capital and (iii) Loans and Advances:—

(In Lakhs of rupees)

	Original Grant or Appropriation	Final Grant or Appropriation	Actual Expenditure
1	2	3	4
Expenditure met from Revenue (Voted)	1,79,91	1,97,42	1,72,37
Expenditure met from Capital (Voted)	3,10,23	3,29,73	2,30,52
Disbursements of Loans and Advances (Voted)	17,17	17,17	10,37
TOTAL (Voted)	5,07,31	5,44,32	4,13,26
Expenditure from Revenue (Charged)	83,55	1,05,65	1,09,42
Expenditure met from Capital (Charged)	29	29	39
Disbursements of Loans and Advances (Charged)	14,03,30	14,16,58	14,10,03
TOTAL (Charged)	14,87,14	15,22,52	15,19,84
Total Expenditure met from Revenue	2,63,46	3,03,07	2,81,79
Total Expenditure met from Capital	3,10,52	3,30,02	2,30,91
Disbursements of Loans and Advances	14,20,47	14,33,75	14,20,40
GRAND TOTAL	19,94,45	20,66,84	19,33,10

6. *Excess over Voted Grants*: Despite the large savings over the total final grants as stated in para 3 above, the actual expenditure in the following cases exceeded the voted grants as shown below:—

S. No.	No. and Name of Grant	Final Grant Rs.	Actual Expenditure Rs.	Excess Rs.
1.	39—Misc. Adjustments between the Union and State Governments.	1,65,000	2,35,084	70,084
2.	67—Civil Defence	1,24,000	1,26,855	2,855
3.	75—Multi-purpose River Schemes	41,08,000	51,45,177	10,37,177
4.	95—Ministry of Works, Production and Supply	17,36,000	17,79,179	43,179
5.	99—Other Civil Works	12,70,55,000	15,03,69,376	2,33,14,376
6.	101—Misc. Departments and Expenditure under the Ministry of Works, Production and Supply	1,07,32,000	1,07,57,005	25,005
7.	103—Miscellaneous Expenditure under the Parliament Secretariat	29,000	29,110	110
8.	114—Other Capital Outlay of the Ministry of Finance	26,57,40,000	26,63,58,032	6,18,032
9.	119—Capital Outlay of the Ministry of Health	1,76,10,000	2,09,49,509	33,39,509

Excess over charged Appropriations: The following statement shows the excesses over individual charged appropriation :—

Serial No.	No. and Name of Appropriation	Final Appropriation	Actual Expenditure	Excess
		Rs.	Rs.	Rs.
1.	33—Currency	3,52,000	3,74,307	22,307
2.	37—Miscellaneous Departments and Expenditure under the Ministry of Finance .		23,890	23,890
3.	38.—Grants-in-Aid to States . . .	8,20,00,000	8,93,95,500	73,95,500
4.	Interest on Debt and other obligations and Reduction or Avoidance of Debt .	74,58,93,000	77,79,73,312	3,20,80,312
5.	99—Other Civil Works	20,40,900	20,74,345	34,345
6.	118.—Other Capital Outlay of the Ministry of Food and Agriculture . . .	28,49,000	39,27,754	10,78,754

7. The Committee have already examined with reference to the facts of each case the circustances which led to these excesses and have submitted a separate Report (Twenty-first Rport) containing their recommendation on these excesses.

II

BUDGETING AND CONTROL OVER EXPENDITURE

8. In the year under report, savings aggregating Rs. 133.91 crores occurred in 118 out of 127 Grants as against 91 out of 103 Grants in the preceding year, the percentage of savings ranging from 22 to 100 per cent. Six Grants alone were responsible for 76.4 per cent. of the total savings of Rs. 133.91 crores. Similarly, there were savings of Rs. 6.73 crores in 15 out of 22 charged appropriations, the largest amount (Rs. 5.34 crores) being under 'Grant No. 115—Loans and Advances by the Central Government'.

9. Supplementary Grants to the extent of Rs. 37.01 crores were obtained during the year. This figure worked out to 7.3 per cent. of the original voted grants against 49 per cent. in 1951-52. Out of the total gross savings of Rs. 133.91 crores on voted Grants, a sum of Rs. 112.02 crores was surrendered in time. The latter, however, included a sum of Rs. 13 lakhs surrendered from Grants which resulted in excesses.

10. There were 12 cases in which the supplementary grants aggregating Rs. 479 lakhs obtained during the course of the year proved to be eventually unnecessary.

11. As explained in para 6 above, there were 9 cases of excess over voted grants involving a total excess of Rs. 285 lakhs whereas in the charged Section, the number was 6 and the total amount involved Rs. 406 lakhs.

12. Percentages of savings over final Grants and appropriations not only reflect on the accuracy of budgetings; with the assortment of the Demands for Grants Ministry-wise, they also serve as an index of the measure of the performance of the respective Ministries. With the Plan as the background, the expenditure budget of the year is merely a projection of the Plan during that year and its execution thus gets added importance. Unless funds are allocated according to needs and allotted funds are utilised properly, the Plan targets will suffer both in quantity and quality. Besides, there is a synchronisation contemplated at different stages in the execution of the various segments of the Plan which imply a balanced selection of programmes for execution each year. In this context, it is needless to emphasize the importance of more realistic estimating and more prudent housekeeping. The tendency 'to err on the safe side' on the part of the Ministries is discernible in the year under report also. It is, therefore, necessary that the Ministry of Finance should be vigilant to 'squeeze the water out of the sponge'. The Comptroller and Auditor-General has suggested certain structural changes in

the framing of the budget and the compilation of accounts to secure a more realistic presentation of the estimates and the economic and efficient utilisation of funds. The Committee would welcome the views of the Ministry of Finance on these suggestions at an early date after due consideration.

13. The Committee will now refer to some of the specific cases concerning the various Ministries of the Government of India as disclosed in the Audit Report in which overbudgeting and laxity of control over expenditure were noticed.

(a) Ministry of Finance

Grant No. 41—*Page* 202 *of the Appropriation Accounts (Civil)*, 1952-53—*Extraordinary payments*

In this case there was a saving of over Rs. 6-1|2 crores out of, a grant of Rs. 14¼ crores meant for Grow More Food, Community Development and other Projects. In extenuation, it was explained that the provision in the budget was made on the basis of the estimates given by the different States in the light of their performances in the previous year in executing development schemes. The Committee, however, feel that some means should be devised to check this sort of overbudgeting. The Committee are glad to note that the Planning Commission had now formed a Board consisting of Officers of the Central Ministries who would discuss with the State Government Officials the question of implementation of schemes and execution of projects with a view to frame the budget more realistically.

Grant No. 115—*Loans and Advances by the Central Government—page* 601 *of the Appropriation Accounts (Civil)*, 1952-53

There were savings of about Rs. 7 crores in the total grant of nearly Rs. 17 crores. The savings, it was explained, were due to expenditure on certain projects not having come upto the anticipated level. This is *prima facie* a case of loose budgeting and insufficient control.

(b) Ministry of Food and Agriculture

Page 247—*Grant No.* 47—*Agriculture Note* 1.

The actual expenditure fell short of the total grant by Rs. 95 lakhs or over 30 per cent. The principal reason for the saving is that substantial provision was made for schemes before they were even sanctioned or even estimated.

Page 613—*Grant No.* 118—*Other Capital Outlay of the Ministry of Food and Agriculture, Note* 2.

Against the original provision of over Rs. 21 crores for the scheme for the purchase of Fertiliser, only about Rs. 8-1|2 crores were spent. This again is another instance of loose budgeting.

(c) Ministry of Commerce and Consumer Industries

Page 40—Grant No. 2 Industries—Sub-head D (5)—Development of Cottage and Small Scale Industries

Against the original estimate of Rs. 20 lakhs which was reduced to Rs. 9 lakhs in the course of the year by re-appropriating Rs. 11 lakhs, an expenditure of Rs. 2.2 lakhs only had been incurred. Such over-estimating by a Ministry immobilises resources which could, with advantage, be utilised on other important projects.

(d) Ministry of Transport

Page 473, Grant No. 91—Lighthouse and Light Ships—sub-heads I and J.

This case is an example where provision was made for a scheme, the detailed examination of which had not been completed. Against the original allotment of Rs. 17.9 lakhs under these sub-heads only an expenditure of Rs. 3.8 lakhs was incurred. The Committee doubt the wisdom of the Administrative Ministry suggesting the provision and Finance accepting it until the codal formalities had been completed and the scheme was ripe for execution.

(e) Ministry of Works, Housing and Supply

Page 525—Grant No. 99 (Other Civil Works)—Note 5

In the voted section of this Grant there was an excess of Rs. 2,33,14,376. The excess has been explained in the Appropriation Accounts as due to purchase of more materials. During their examination of the Ministry, the Committee were informed that these purchases were ordered with a view to build up stocks for supply to works, but they did not expect that these would be received during the financial year and hence did not provide for the necessary funds. However, their anticipation went wrong and the materials did arrive and had to be paid for.

The Committee are not fully convinced by this explanation. In their opinion, this is a typical case of both faulty budgeting and laxity of control over expenditure. It is only to avoid such lapses in budgeting and financial control, that earlier Committees had suggested that close liaison should be maintained by the indenting Department with the supplying Department, so that they may be posted with the progress of supply and can ensure that estimates are as realistic as possible. The Committee trust that the due attention would be paid to this aspect of estimating expenditure.

Page 645—Grant No. 131—Capital Outlay on Buildings

Out of a grant of Rs. 10.5 crores a little less than Rs. 5.7 crores could only be spent. The reason for the savings was explained as non-availability of site for building owing to delay in acquisition

proceedings and want of administrative approval for the construction of buildings. The representative of the Central Public Works Department explained to the Committee that although the grant had appeared under the Ministry of Works, Housing and Supply, it related to all the Ministries, and provision under that grant was made on the basis of the information given by these Ministries. The respective Ministries should be held responsible if the estimates were not realistic.

The Committee did not feel quite happy about this explanation. In their opinion, it was the responsibility of Government as a whole to present to Parliament estimates that were realistic and if there are any defects in the existing budgetary procedure, Government should address themselves to remedy those defects.

III

IMPORTANT OBSERVATIONS ON INDIVIDUAL MINISTRIES.

14. In the following paragraphs, the Committee shall refer to some of the important points that they considered in the course of examination of the Accounts relating to various Ministries.

MINISTRY OF COMMERCE AND CONSUMER INDUSTRIES

Audit Report (Civil), 1955—Part I

Para 2—Extravagant expenditure

15. In December, 1950 the High Commissioner in London acquired on lease (running upto 1961) certain premises at an annual rent of £1150 for Commercial publicity on payment of a premium of £4000. The premises were in need of extensive repairs before they could be made suitable for commercial publicity. A sum of £6000 was spent on this account by the High Commissioner from the contingent grant. When Government sanction for this lease was applied for, no mention was made of the fact that the premises would need extensive repairs and re-decoration. More than two-fifths of building leased had remained unutilised from the time of its acquisition in December, 1950 till 14th July, 1955—more than 4½ years.

16. During the course of the examination, the Committee were informed that Commercial publicity had in the past been conducted in the main building of the High Commissioner's office and as it was inadequate Government thought it desirable to expand the activities of the publicity organisation; they therefore, agreed to the leasing of the building in question. The publicity activities did not, however, expand to the extent anticipated even after 4½ years and during this period the major portion of the building remained unutilised. The building has since been handed over to the Transport Ministry and the Mysore Trade Agent. The representative of the Ministry added that although the need for expansion of publicity was ever present, it had not been planned properly. In his opinion, there had been an error of judgment in putting through the deal before the plan for publicity was fully settled.

17. The Committee regret to observe the short-sighted way in which the High Commissioner had set about this case. They are unable to see any justification for leasing the building on payment of a premium of £4000. The expenditure of £6000 on repairs and decoration also lacked justification especially when the plans regarding publicity had yet to be decided. It was stated that the High

Commissioner incurred the expenditure on repairs and decoration from out of his contingent grant under his own financial powers. The Committee find it difficult to accept this. They consider it an improper use of the powers. They further learnt from the Comptroller and Auditor-General that the Financial Adviser to the High Commissioner in London was not consulted before the building was taken over on lease and in the opinion of the Financial Adviser, the whole deal was unbusinesslike. In the Committee's opinion, it was the duty of the High Commissioner to have apprised the Government of this liability. Had this been done, Government might not have agreed to this extravagant expenditure on this building which ultimately proved infructuous especially when the plan for commercial publicity was not ready then.

18. The Committee regret to observe that this was not a solitary case of its kind. There were a number of cases of lease of buildings overseas for long periods, in which the buildings had not been either utilised for the purpose, or were found unsuitable for the purpose. The Committee are distressed at the complacency on the part of the representatives of the Ministries. Overseas expenditure has been continuously rising and in the interest of national economy and for the satisfaction of the tax-paying public, it is essential that effective control over such expenditure authorised by Parliament is ensured by Finance.

Para 4—Uneconomic purchase of printing machines:

19. With a view to reducing expenditure on the printing of show cards, exhibition catalogues, etc., two printing machines were purchased by a Mission in 1950 for £992 departmentally and not through the India Store Department, London. It was found by experience that one of the machines could not be used economically and the other could be put to a very limited use. The machines were, therefore, sold for £240.

20. The Committee were informed that purchases were made on an experimental basis which did not, however, succeed. The representative of the Ministry felt that adequate thought was not given before the purchases were made.

21. The Committee desired to know why the purchases were not made through the India Store Department, London. It was explained by the representative of the Ministry that although no formal order was placed on the India Store Department, the Director General was fully in the picture. The Comptroller and Auditor-General, however, intervened to say that his information was that the Director General, India Store Department, was not consulted both on technical and procurement aspects. The Committee would like to be apprised of the special reasons for by-passing the Director General, India Store Department in this case. In reply to a question whether any investigation was conducted by Government against the

Officer responsible for this loss, the Committee were informed that it would be difficult to take any disciplinary action against any of the Officers involved in this case unless *malafide* could be established. The Committee feel, however, that disciplinary action should be initiated even in cases of gross negligence.

Outstanding Recommendations

Para 21 of the Sixteenth Report—Payment of subsidy for American Cotton to a Mill.

22. In paragraphs 20 to 22 of their 16th Report, the last Committee had dealt with the case of a certain spinning mill which had exported yarn manufactured out of subsidised American Cotton and yet received subsidy in respect of the American Cotton thus used. It was stated that the Mill got special permission of the Textile Commissioner to spin yarn from an admixture of Indian Cotton and subsidised American cotton provided that a minimum quantity of yarn of appropriate counts equivalent to the production from the subsidised American cotton content of the mixing was made available to the domestic market. On the basis of the permission given by the Textile Commissioner, the Mill manufactured out of the subsidised American cotton yarn of higher counts, exported it and made huge profits.

23. It was also added that there had been a dispute as to whether even in terms of the Textile Commissioner's orders, the mill was justified in claiming the subsidy and the case was under reference to the Solicitor General for opinion. The Ministry have now furnished to the Committee a note (Appendix I, Vol. II) giving the Solicitor General's opinion and the points on which his opinion was sought. As desired by the last Committee, a copy of the text of the special permission granted to the Mill has also been furnished which reads as under:—

> "In exercise of the powers conferred on me by the Textile Comissioner, Bombay in his Notification No. 9(9) Tax/ I/49 dated 15 July, 1950 I hereby exempt M/s..... from compliance with the direction contained in Clause 20 B(iii) of the Cotton Textiles (Control) Order of 1948 and permit them to spin yarn from an admixture of Indian cotton and subsidised American cotton, provided that a minimum quantity of yarn of appropriate counts equivalent to the production from the subsidised American cotton content of the mixings is made available to the domestic market."

24. The permission was reported to have been granted by the Director (Production) by virtue of the delegation made by the Textile Commissioner.

25. Clause 20 B (iii) of the Cotton Control Textiles Order, 1948 reads as follows:—

> "No producer shall produce any yarn from a mixture of Indian cotton with foreign cotton.
>
> Provided that the Textile Commissioner may, *by general order* permit producers to manufacture yarn from a mixture of such Indian and foreign cottons as may be specified in the Order."

26. The last Committee had observed that the Textile Commissioner had exceeded his competence in giving the exemption sought by the mill as it was *prima facie* outside the four corners of the policy underlying the scheme. The Committee desired to know whether this point was also referred to the Solicitor General for opinion. It was stated in reply that this point was not specifically referred to the Solicitor General.

27. The Committee think that the proviso under clause 20 B(iii) quoted above contemplated a general permission to all producers and not a special permission to an individual mill as was done in the present case. They shared the doubts of their predecessor Committee and desired that a reference should be made to the Solicitor General on this point. The Secretary of the Ministry agreed to this. The Committee would like to be apprised of the result in due course.

28. Coming to the Order granting the permission, the Committee observe that there were two views regarding the precise implication of the words, 'appropriate count' in the caveat therein *viz.*, that a minimum quantity of yarn of *appropriate counts* equivalent to the porduction from the subsidised American cotton content of the mixings is made available to the domestic market. One view was that the mill was bound to give appropriate quantities of the yarn of higher counts also spun out of an admixture of Indian cotton and subsidised American cotton from each mixing equivalent to the subsidised American cotton utilised therein. The other was that in accordance with the object of this scheme of supply of subsidised American cotton to mills, the mill was only required to supply a specified quantity of medium count yarn equivalent to the entire quantity of subsidised cotton received by it. In support of the former view, it was argued that as an embargo was placed on the export of medium counts of yarn, whatever medium counts of yarn were made available for internal needs by the mill had compulsorily to be done by the mills; and, therefore; the condition imposed while granting the special permission could only mean that the mill was to supply a proportion of each kind of yarn of higher counts manufactured out of such mixings. The Solicitor General has, however, held that 'appropriate counts' meant only 'medium counts' in that context although he felt 'the matter was not free from doubt'.

The Committee note that according to the Solictor General, Government had no strong grounds to take up the matter to a court of law. Nevertheless, they would like to invite the attention of the Government to the following passage in the learned Counsel's opinion:—

> "It is true that by the use of American cotton of high counts for export purposes, the Mills may have made very considerable profit and if the matter is looked at merely from moral grounds, there would be a good deal to be said against the Mills, particularly when Mr. (of that Mill) had suggested that there was no question of loss to Government or profit to the Mill".

In their opinion, these observations are significant. They would, therefore, urge the Ministry to pursue this matter further with the mill which by taking unfair advantage of the subsidy scheme had made considerable profits, which though not legally refundable were morally unjust. It was in fact to safeguard the interests of the public Exchequer in such cases that the P.A.C. had recommended in para 90 of the 15th Report that suitable legislation empowering Government to review concluded contracts to effect recovery of demonstrably excessive or unconscionable payments by Government. The Committee regret to observe that no action had been taken so far on this recommendation.

29. The Committee were given to understand that the permission to the mill was granted without consulting the Finance Ministry and that there was no record available in the Ministry to confirm that permission was given. The permission was given to the mill by the Textile Commissioner orally on the telephone in July, 1950 which was later confirmed by the issue of orders in October, 1950. They strongly deprecate the manner in which such a concession involving as it did serious financial implications was agreed to on the phone orally and no records of the circumstances and the conditions governing the grant of the concession were kept for subsequent reference. Had it been done, there might have been no occasion for an argument, such as had arisen. The Committee must record here that they had come across similar cases where absence of contemporaneous records had led to extravagance in expenditure or loss to Exchequer and created difficulties in the matter of fixing responsibilities. They would, therefore, strongly urge that as a rule proper records of all the important decisions and the discussions leading to them should invariably be kept.

Para 26 *of the Sixteenth Report —Alterations in the Cash Receipts*

30. The Committee observe from the note (Appendix II, Volume II) submitted by the Ministry of Commerce & Consumer Industries that the clerk involved in this case relating to the spurious alterations in the cash receipts of railway freight and octroi paid on consignments for the late Ministry of Commerce has been sentenced to 2 years' R.I. on the 13th August, 1956 for having misappropriated a

sum of Rs. 3,845/12/6 and has been dismissed from service with effect from that date. It has also been stated that the ex-clerk has filed an appeal against his conviction on the 30th August, 1956 and the question of taking departmental action against the other person, alleged to be involved in this case and also the supervisory staff would be examined after appeal was decided by the Court and relevant records were made available to the Ministry.

The Committee do not see why the question of taking departmental action against the other person should be linked up with the fate of the appeal by the ex-clerk pending in the Court. They would invite attention to para 13 of their Thirteenth Report in this connection and would urge that departmental should be taken against the other person and the supervisory staff without further delay.

Para 29 of the Sixteenth Report—Import and sale of Japanese Cloth

31. In their Fourth Report (Para 23, Import and sale of Japanese cloth) the Committee had recommended that Government should take early steps to recover the sum of Rs. 15 lakhs outstanding from M/s Banwari Lal and Co., through whose failure to lift the imported Japanese cloth allotted to it, Government had to suffer a loss. The case was referred to arbitration. The period of arbitration was extended by Government because of the absence of Shri Banwari Lal out of India. The arbitrator gave his award on the 22nd November, 1955 in terms of which, Government were entitled to recover from M/s. Banwari Lal and Co. as damages for the breach of contract, Rs. 5,90,000 and Rs. 10,000 by way of costs together with interest at @ 4 per cent per annum on the amount of damages and costs from 1st December, 1955 till payment. It was explained to the Committee in evidence that a sum of Rs. 2 lakhs out of Rs. 6 lakhs had been paid by the Company and the balance was expected to be paid in the very near future. In this connection, the Comptroller and Auditor-General pointed out that in making out the claim on behalf of Government a sum of about Rs. 26,000 approximately was claimed less due to error in calculation. The Secretary of Ministry assured the Committee that he would look into the matter.

MINISTRY OF HEAVY INDUSTRIES

Para 105 of the Sixteenth Report—Nahan Foundry Ltd.

32. The last Committee noticed that large amounts were spent by the Foundry on the development of new manufactures *viz.*, Sarovar pumps, bullock driven Centrifugal pumps etc. which had subsequently proved unsuccessful. These experiments had cost Government very heavily. The Committee, therefore, recommended that immediate action should taken to institute an enquiry into the matter and action taken against the persons concerned who are responsible for launching upon these costly and ill-conceived experiments.

33. During the course of examination, the Committee were informed that after investigating into the matter, Government had taken the view that there were no *malafides* in this case. In extenuation, it was explained that the experiments were launched with the best of intentions even though the results have now proved them unsuccessful; it should, therefore, be taken as an error of judgment on the part of the Officer who was always acting in the best interest of the enterprise. The Comptroller and Auditor-General stated that he would examine these statements as well as the report of the Enquiry Committee (Appendix III, Vol. II) which had been sent to the Committee by Government and would incorporate his observations in a subsequent Audit Report. The Committee, therefore, deferred further consideration of the matter.

MINISTRY OF EXTERNAL AFFAIRS

Audit Report (Civil), 1955—Part I
Para 5—Infructuous Expenditure on leave of building

34. In January, 1949 Government wanted to establish a Mission in a country and on 30th May, 1949 decided to accredit the High Commissioner in an adjoining country additionally as Ambassador to that country. But the Standing Finance Committee at its meeting held on the 18th October, 1949 did not agree to the proposal and recommended that the expenditure on the new Mission should be confined only to the travelling expenses of the High Commissioner for paying occasional visits to that country. Again in May, 1950 on a representation from the High Commission, the Government sanctioned the proposal for renting a building at an annual rent of Rs. 12,000 plus Rs. 3,333 for fittings. A sum of Rs. 40,000 on repairs, re-decoration and furnishing of premises was also sanctioned in August, 1950. But the negotiations for the leasing of this building fell through. Subsequently in December, 1950 another residential building was taken on lease by the High Commissioner for 15 years at an annual rent of Rs. 9,800 against the earlier sanction and without any further reference to Government. But actually the new premises have all through remained unoccupied, as the Mission could not be established due to shortage of suitable personnel. Although the house was in good condition at the time of leasing, it had since fallen into a state of dis-repair. It was estimated in October, 1954 that the expenditure on repairs, upkeep and furnishing of that building would amount to about Rs. 60,000. An expenditure of Rs. 18,667 had to be incurred in August, 1956 on certain urgent repairs to that building to prevent further deterioration. As the conditions of the lease did not permit subletting, Government have been saddled with a recurring liability at the rate of Rs. 9,800 a year for the next nine years in addition to rates, taxes etc., and also on repairs for returning the building in a reasonable state of repair at the end of the lease. Meanwhile an expenditure of Rs. 16,067 upto 31st March, 1955 on account of hotel accommodation had been incurred by the High Commissioner during his periodical visits to that country.

35. During the course of the examination, the representative of the Ministry informed the Committee that Government wanted to establish a Mission in the country in view of the Government of India's special relations with that country. In May, 1950 the matter assumed urgency, as the foreign Government had suggested a building suitable for the purpose. Sanction for leasing the building was issued on 31st May, 1950 but in the meanwhile the negotiations for the leasing of this building fell through. In December, 1950 the second building was taken over by the High Commissioner on a rent of Rs. 9,800 for 15 years without any further reference to Government, as he felt that this proposal was more economical and within the amount sanctioned earlier. The Committee were surprised at this explanation. Not only was it procedurally incorrect to utilise sanction in this manner; but one important difference between the two proposals, *viz.*, the lease of the building in the latter case committed Government financially for a period of 15 years was curiously lost sight of.

36. The Committee deplore the way in which this case had been dealt with by both the High Commissioner and the Government. Even if the matter was considered urgent for political reasons, when the foreign Government recommended the leasing of a building for housing the Embassy, the matter should have been examined afresh as soon as the negotiations in respect of that building fell through. The action of the High Commissioner in leasing the second building which saddled Government with a liability for 15 years without making sure that the necessary personnel for the Embassy could be found within a reasonable time lacked justification. The Committee desired to know whether his Financial Adviser was consulted by the High Commissioner in this matter and if so what his advice was; the representative of the Ministry could not give any information on this point.

37. In the opinion of the Committee, the Ministry are not altogether blameless in the matter. The Committee could not understand why the Ministry did not hasten to select the persons for the Embassy after having issued the order for the lease of a building in a foreign country at a substantial cost. The plea of financial stringency was hardly convincing when the question of opening an Embassy in that country had become urgent for political reasons. The Committee were disappointed at the fact that even by the end of the 1956 (6 years since the building was leased) the Embassy had not started functioning. They, therefore, desire that the Ministry should now seriously examine the question of surrendering the building by compromising with the lessor in case there was no prospect of finding the necessary personnel and establishing the Embassy in the near future.

38. As stated earlier the proposal to open an Embassy in the foreign country was not originally approved by the Standing Finance Committee in 1949. The Committee enquired whether the proposal was again placed before the S.F.C. for its approval in May, 1950 on receipt of the representation from the High Commissioner. In

reply, it was stated that this time, the proposal did not, in the first instance, meet with the approval of the Finance Minister and it was, therefore, taken up to the Cabinet level for sanction. Elucidating why the S.F.C. was bypassed, the representative of the Ministry of Finance stated that according to the procedural rules in this regard, a proposal was referred to the S.F.C. only if it had the prior approval of the Finance Minister. Since this proposal was not agreed to by the Finance Minister, it was not considered necessary to refer it to the S.F.C. The Committee find it difficult wholly to accept this view. As the S.F.C. is now defunct, the question has only an academic interest. Nevetheless, in the present case, the Committee feel that the S.F.C. should have been communicated the decision of the Cabinet, as this case had been considered by it earlier.

Para 7—Hospitality Fund of the Ministry of External Affairs

39. To meet the cost of official entertainment of distinguished foreign visitors, Missions, Delegations, etc. with a view to maintaining personal contacts with them, there exists a Hospitality Fund in the Ministry of External Affairs. The scope of the fund was extended in June, 1954 to cover personal level parties given by officers serving at headquarters in the Commerce and External Affairs Ministries. During the period 1st April, 1954 to 15th July, 1955, about Rs. 94,000 were spent on 144 parties. According to Audit, the expenses and the number of parties and their purpose in some instances suggested the necessity of exercising greater control in their organisation. There was overlapping of parties given in some cases. Thus, a feminist leader, some foreign students, a retiring diplomat, a visiting State guest were given two or more official parties by different officers out of the Hospitality Fund. Six parties were reported to have been given by the Ministry during a period of 16 months, despite the policy laid down by Government restricting general parties in honour of diplomats to one or two in a year. Although the Hyderabad House had been taken over and suitably furnished for the purpose of official entertainments the majority of parties was held at the residence of officials. The charges paid per head for a party varied widely from Rs. 9 to Rs. 50 in the case of a dinner party. It was also pointed out by Audit that although, under the rules, sanction of Finance was necessary for expenditure exceeding Rs. 1,000/-, in computing this limit, the cost of wines, etc., supplied from stock was excluded.

40. In evidence, the Secretary, Ministry of External Affairs, stated that personal level entertainments had been allowed only for officers of the Ministries of External Affairs and of Commerce and Industry as it was considered necessary for the Officers of these Ministries alone to maintain personal contacts with foreign visitors. For personal entertainments, a sum of Rs. 10,000 per year only was allotted out of the Fund. The Committee were also apprised of the special circumstances in which more than one party had to be arranged in some cases. It was added that orders tightening up the procedure in regard to entertainments out of the Hospitality Fund had

since been issued. Ceilings on expenditure on entertainments had been fixed and were being examined by Finance.

41. At the instance of the Committee, the Ministry furnished copies of orders issued by Government. The Committee are glad to note the steps taken by Government for tightening up the expenditure incurred on entertainments. While the Committee recognise the need for such entertainments, they consider that the ceiling rates fixed by the Ministry in some of the cases were too liberal specially when those rates did not include the cost of drinks. They trust that the Ministry of Finance would scrutinise the rates carefully and fix them reasonably.

Financial irregularities in Missions abroad

42. Paragraphs 8, 9 and 10 of the Audit Report (Civil), 1955, Part I deal with certain irregularities detected in the course of Audit of the accounts of the Missions abroad. The Committee deal with the more serious ones in the following paragraphs.

Audit Report—1955, Part I

Para 8 (a) —Advance for purchase of motor cars

43. Within a period of 4 years, an Officer had drawn advances three times for the purchase of motor cars. The car was sold each time without the prior approval of the Government (as required by the rules) and Government regularised the sales by according *ex post facto* sanctions. In one case, the amount drawn was in excess of the actual cost of the car and it was not refunded to Government as required under the rules. In another, the sale proceeds were retained for a period of six months for purchasing another car, although the rules required that the purchase should be completed within a period of one month.

44. In his evidence before the Committee, the representative of the Ministry of External Affairs stated that in the light of certain additional information that had come to his notice, he was examining the cases in detail and promised to furnish a report to the Committee. The Memorandum submitted to the Committee is at Appendix IV, Vol. II. It is observed from the Memorandum read with para 8 (a) of the Audit Report that within a period of 4 years, the officer in question had utilised the three advances sanctioned to him for the purchase of five cars in succession, of which the first was not used for a single day in the discharge of his official duties, the second was kept by him only for 6 months, the third for about one year, and the fourth for 9 months. The first car was purchased in England in the name of the Officers' wife, while he was himself stationed in India, and was sold to one of his relatives within a period of 3 months. On the second car the Officer is stated to have made a profit of Rs. 1,000. (The Ministry has now proposed to recover the amount from him and credit it to Government). The third advance (for the purchase of the fourth car) was drawn by him in an European country, where he was allowed use of the official car with permission to use it for reasonable private purposes. The advance sanctioned in

August 1951 was drawn in March, 1952 for purchasing the car—after 7 months. It was sold by him to a diplomatic officer in December 1952 within 9 months of its purchase without obtaining the prior sanction of Government for its sale, as "local sale was not otherwise permissible and the offer of the diplomat would not have been available, if the car had not been sold to him immediately". The sale proceeds of this car were handed over by him to a local motor dealer in part-payment of the cost of a new Buick car ordered by him from U.S.A. which was delivered to him in June, 1953. It has been observed by the Ministry that "the sale proceeds of the fourth car were not retained by him, but were applied for the purchase of another car".

45. According to the note, the officer served at six different stations abroad and also returned to India twice during the four years in question, and it was, therefore, not possible for him to obtain prior permission of Government for the sale of the cars. The Ministry have added that it was "a time consuming process" to obtain authority from Government for individual transactions, as it resulted in disclocating their subsequent postings. To avoid this difficulty, Heads of Missions have been authorised in April, 1955 to sanction sale or transfer of cars in all such cases. The irregularities in this case should, therefore, be viewed in this background.

46. The Committee deprecate violation of rules and regulations which have been laid down after careful consideration. It is apparent from the facts of this case that the officer has disregarded the rules and regulations repeatedly and quite often, consciously. The Committee understand that he is a very senior officer in the Ministry and in their view his actions were, therefore, defenceless. The Committee are distressed to note that even after the matter had been brought to the notice of the Ministry by Audit, the Ministry have taken too lenient a view. In the Committee's opinion it is a matter that merits serious action.

47. The Committee were given to understand that para 8 (b) of the Audit Report, in which it has been reported that a silver cutlery set of 12 pieces purchased by an Indian Embassy for the Ambassador's use was inadvertently replaced by an inferior set of 11 pieces belonging to the Ambassador which he returned to the Embassy after an exchange of correspondence, also related to the above Officer. They were informed that in order to avoid recurrence of such incidents, instructions had since been issued that cutlery and crockery belonging to Missions should, in future, be marked with the Indian crest. As regards the existing stock of articles which were not so marked, the Committee were assured that care was being taken to note the details of manufacture, etc, in the stock registers so that there was no possibility of their substitution.

Para 10 (a)—Unauthorised use of Government cash for private purposes

48. The scrutiny of the cash accounts of an Embassy revealed that between January and March, 1949 heavy amounts were drawn

by the Minister from the Bank as personal advances for himself and the staff without Government's sanction.. The amounts were refunded in March, 1949 but these transactions were neither entered in the cash book nor shown in the monthly accounts sent to audit with the result that they could not be detected earlier. When local inspection of accounts by audit brought this to light, it was explained that the failure to show these transactions in the accounts was due to the inexperience of the staff in accounting matters.

49. In evidence, it was stated that during the period January and February, 1949 a local Indian was appointed temporarily as First Secretary and to be in charge of the treasury as no officer from the cadre was available. The person appointed was not conversant with the financial rules and could not, therefore, guide the Minister correctly. The Committee found it difficult to accept this plea, as it transpired that the Minister was himself a very senior officer of an established service. They, therefore, felt that the responsibility for the unauthorised withdrawal of money by the Minister for himself and his staff should be primarily his. The Committee, therefore, asked the representative to examine the case afresh and to inform them of the action proposed to be taken in the matter.

50. In a note to the Committee (Appendix V, Vol. II), the Ministry have stated that the head of the Mission had not received his pay slip and had not drawn his salary until 12th March, 1949 though he had been posted to this Mission on the 11th of January, 1949. "In these circumstances, he drew advances like other members of the Mission to maintain himself in the foreign country and reported this fact to Government though it appeared that no covering sanction was issued". The entire advances drawn by the head of the Mission were refunded on his drawing his salary and allowances for the first time. Due to some misunderstanding, the amount drawn as advances and its refund were not shown in the monthly accounts sent to the Audit Office by the Mission. The irregularities were, therefore, of a technical nature and regrettable.

The Committee cannot concur in the view that because the advance had been repaid fully, the irregularity was merely technical. Further, they are unable to comprehend the "misunderstanding" which precluded the exihibition of these transactions in the accounts.

51. Again, it has been reported in para 10(b) of the Audit Report, that the officers of the same Mission purchased wines and cigarettes from Government fund for a period of more than two years for the personal use of the Minister and the staff. The Committee learn that this practice has since been stopped. Nevertheless, they regret to observe that these instances of abuse of the privilege of handling Government funds had occurred in a Mission headed by an experienced officer.

Para 11—Irregular personal claims of an Officer

52. This para disclosed a series of irregularities committed by a permanent officer of the foreign service in Indian Missions abroad some of them very serious, such as drawal of medical expenses without sanction of Government and failure to refund the amounts when ordered by Government, claiming reimbursement of expenditure on himself and his family at a summer resort where he went for his private personal convenience and overdrawal of travelling allowance.

53. The Committee learnt that it was the same officer about whose extravagance in the matter of residential accommodation the Committee had occasion to comment in paragraphs 41 and 42 of their Sixteenth Report. No notice was taken of these irregularities when Government decided to continue him in service for three years beyond his date of superannuation and thereafter to allow him to hold a responsible public post under another Ministry.

54. While the representative of the Ministry admitted that the conduct of the officer appeared improper when viewed as a connected whole, he added that Government had not considered any disciplinary action necessary in the light of the explanations given by the Officer in individual cases. In reply to a question, he informed the Committee that the Ministry had not communicated the irregularities brought out in the Audit Report to the other Ministry which proposed to employ him while replying to a reference from that Ministry. The Committee felt that in the larger interest of Government as a whole, one Ministry should communicate such irregularities on the part of an officer intended to be re-employed by another Ministry to that other Ministry for their benefit. At the instance of the Committee the representative of the External Affairs Ministry has now agreed to communicate these irregularities to the other Ministry, which had meanwhile employed him.

Para 12—Infructuous expenditure on residential accommodation in an overseas Mission

55. This para revealed that residential accommodation leased for the Charge-d'-Affairs in a certain Mission was retained for use by his successor on the ground that the accommodation in that station was expensive and scarce. When the lease expired after three months, the posting of the successor had not been settled and the lease was extended for another year at an enhanced rate asked for by the landlord. Since the posting of the successor could not be arranged, the house remained vacant for about a year and a quarter when it was ultimately surrendered as it was considered by the head of the Mission as unsuitable for occupation even by a First Secretary. The infructuous expenditure on rent and maintenance was Rs. 20,906.

56. It was explained to the Committee that the officer selected for the Mission had to be diverted to another country on an important and urgent assignment and this accounted for the accommoda-

tion remaining vacant. The Committee could not, however, get any satisfactory explanation as to why the head of the Mission considered the house which was in occupation of a previous Charged—Affaires unsuitable for occuption by his successor.

57. The Committee had occasions in the past of comment on cases where infructuous expenditure had been incurred by Missions abroad, either because the officers for whom the residences were leased could not be posted or the houses were later declared unsuitable for their occuption. They consider that the system of securing and paying for accommodation overseas is capable of improvement and would urge the Foreign Services Inspectorate to examine this from two aspects, *viz.*, to check extravagance and to stop infructuous expenditure.

Para 14—*Purchase of Chancery Bulding*

58. The Chancery of an Indian Mission Overseas obtained by telegram is Octomber, 1950 a blanket sanction from the Government of India for a sum of Rs. 7½ lakhs in connection with the purchase of finalised in August, 1951 through an intermediary bank which was a bulding. The purchase was acting on behalf of the owners of the property. As the property was in part ownership of minors, it was purchased through Court on public auction for Rs. 5½ lakhs, but a sum of Rs. 1,36,060 was paid to the two partners of the bank for "their honouraria costs and the purchase price of various furnishings and panellings". The cost of the furnishings and panellings was estimated by the Embassy at Rs. 27,210 but the nature of the balance of the payment was not clear, although the value of the permises together with the neighbouring piece of vacant land was estimated by an architect in November, 1950 at between Rs. 4·8 lakhs and Rs. 6·1 lakhs. The Government of India were informed that no commission, etc., was being paid to the intermediaries. It was claimed that the Embassy was able to get a reduction in price of the building from Rs. 7½ lakhs to Rs. 6·8 lakhs, but according to Audit, in the absence of drawings and plans, it was not possible to establish whether the negotiations conducted originally were for the same portions of the property as were actually acquired finally.

59. During the course of the examination, the representative of the Ministry of External Affairs observed that so far as doubts about the identification of the plot were concerned, the property that was proposed to be purchased was precisely defined and was the same as the one actually acquired. Explaining the reasons for the purchase of the property through a bank, he added that it was necessary to interpose the bank because the bank had already entered into an agreement with all the heirs to the property by which it had obtained the right of option to purchase the building. The payment to the partners of the bank was in pursuance of a prior understanding reached with the bank as vendors that £10,000 (Rs. 1,36,060) would be paid separately to them. The Government were not, however, informed of this development; nor did the Government call for the details of the amount, as they were satisfied

that the deal which was originally proposed for £55,000 Rs. 7½ lakhs approximately) was brought down to £50,000. Payments to the parties concerned had been properly receipted.

60. The Committee find it difficult to share the satisfaction of the Ministry about the transacion merely because the price paid for the property was less than the sanctioned sum. On the other hand, they are far from happy about the spending of Rs. 1.3 lakhs without that accountability which is the basic principle of Government finance. Not only the purchase should be effected to the best advantage of the Government but it should also be ensured that it could not have been negotiated for a lesser amount. The Committee were not convinced of the necessity for a pre-arrangement with the vendors for a separate payment of £10,000 when the sale was effected by public auction through the Court. In case such a pre-arrangement was considered inevitable, the details thereof should have been intimated to Government and their prior approval taken. The Committee were informed by the Comptroller and Auditor-General that the information now furnished by the Ministry was not available in the records when the case was examined by Audit.

61. Another disturbing feature of this case was that the blanket sanction for Rs. 7½ lakhs was given by the Ministry of Finance for purchasing the building with the neighbouring plot of land as it was proposed to utilise the plot for the construction of four residential flats. As it turned out, these flats could not be built because of local municipal laws prohibiting such construction. The Committee learn that even when the negotiations for the purchase of this property had not proceeded very far, the architect had expressed doubts about constructing buildings on the vacant plot on account of municipal laws prohibiting such construction. The Committee cannot see any justification for proceeding with the negotiation in these circumstances. In reply to a question whether the Ministry of Finance were aware of the encumbrances on the property and the likelihood of its proving useless for the purpose in view, when they accorded the blanket sanction, the Committee were informed that the proposal was acceded to by them with all the caveats necessary to safeguard the interests of Government. The Committee doubt the wisdom of the action of the Finance Ministry in agreeing to a blanket sanction of Rs. 7½ lakhs, the details of which they were not aware of.

OUTSTANDING RECOMMENDATIONS

Paras 61 *to* 64 *of the* 15*th Report of the Public Accounts Committee —Advance payment by the High Commissioner for India in London for acquisition of premises (Gaiety Theatre).*

62. The Committee of 1954-55 had examined this case thoroughly and in their 15th Report had made certain observations. They had *inter alia* desired further information on the following points:—

(1) Why was it considered expedient by the High Commissioner to start negotiations with other parties after the

much

advance amounting to £17,000 had been paid to Adhil Properties Ltd. and why there should have been so mu[illegible] delay in finalising either of these arrangements?

(2) Why was it considered necessary to have recourse to an intermediary instead of dealing direct with the lessees?

63. In the note (Appendix VI, Vol. II) submitted to the Committee it has been explained that the High Commissioner considered it expedient to negotiate with other parties in order to explore all possibilities of securing more favourable terms. Later on the advice of a leading Lawyer it was decided to squeeze out Mr. X representing the Adhil Properties Ltd., and enter into an agreement with another company which offered better terms. These plans were defeated as the mortgagee acted almost overnight in foreclosing the property.

64. In support, the representative of the Ministry could quote the name of only one firm which had offered better terms and that too come on the scene only in May, 1951. The Committee do not see how this offer in May, 1951 could explain the delay in finalising the agreement with 'X' and the lessee which ought to have been completed by 11th October, 1950. The Committee also find themselves unable to accept the contention of the Ministry that "the mortgagee acted almost overnight" as the facts of the case reveal that the mortgagee foreclosed the property only in October, 1951 *i.e.*, almost a year after the time fixed for finalising the sale. On the other hand, the Committee observed that no action was taken even after the unequivocal warning conveyed by the solicitors of the lessee to the High Commissioner in May, 1951 that the mortgagee was proposing to exercise the power of sale conferred by the mortgage.

65. With reference to the second point raised by the last Committee regarding the necessity of having recourse to an intermediary instead of dealing direct with the lessee, the Ministry have stated in their note that there would have been no point in the High Commissioner carrying on direct negotiations with the lessee unless the Government of India were interested in the outright purchase of this property. Since this was not the intention, the negotiations had to be with a developer, whether the Adhil property or some other person. Even otherwise, it was necessary to interpose the intermediary as direct negotiations would have disclosed the High Commission's interest in the development of this property, thus attracting the speculators who would have raised the value of the property. From the facts, however, the Committee observed that the object of not disclosing the High Commission's interest in the property was not achieved. In fact, as early as July, 1950, another purchaser was actually in the field and it was this fact that precipitated the advance payment of £17,000.

66. Judging from the facts placed before them, the Committee are led to the conclusion that the loss to the Government was occasioned by the inordinate delay in finalising the negotiations, for which they could see no convincing reasons.

MINISTRY OF FINANCE

Audit Report (Civil), 1955—Part I

Para 15—Assessment of income-tax on restricted value of perquisites

67. In terms of Section 7 of the Income-tax Act, 1922 as it stood prior to its amendment in 1955, perquisites of an employee chargeable for Income-tax included the provision of rent-free accommodation by the employer. The manner of determining the value of perquisites was not, however, actually defined in the Act, and in practice, was governed by the orders issued by the Government of India in 1928 and 1952 according to which, the value of the perquisite of free accommodation was to be computed at 10 per cent. or 12½ per cent. of the salary of the employee according as the accommodation was unfurnished or furnished. The Finance Act of 1955 amended section 7 of the Income-tax Act. This amendment defined clearly the term 'perquisites'. It provided that the value of rent—free accommodation or the value of any concession in the matter of rent respecting any accommodation provided to the assessee by his employer should be included in the assessment. This amendment was intended to be included in the assessment. This amendment was intended to cover not merely the actual rental value of the rent-free accommodation but also any concessional recovery of rent. It has been pointed out in the Audit Report that with the above amendment of Sec. 7 by the Finance Act, 1955, the old executive orders regarding computation of the value of rent-free accommodation ceased to be valid or applicable. Nevertheless, those orders are still being applied even in cases of Ministers and other high dignitaries of Government whose salaries and privileges are regulated by Act of Parliament and who are, in terms thereof, provided with free furnished accommodation and water & electricity free of cost.

68. Also there was another executive instruction in force prior to the amendment of 1955, to the effect that the perquisites for the purpose of assessment had to be received in the form of money or in a form capable of being converted into money by the recipients. Accordingly, passage, electricity, water, servants, etc., provided free by the employer were excluded for the purposes of assessment. By the amendment of 1955, 'the value of any benefit or amenity granted or provided to the assessee by the employer free of cost or at concessional rate' and also 'any sum paid by the employer in respect of any obligation which, but for such payment, would have been payable by the assessee' shall be included in the assessment for income-tax. In spite of the amendment of the law, the value of free water, electricity, etc., provided to the Ministers and dignitaries are excluded from the computation of assessable income in accordance with

the executive orders. The continued application of the old orders was resulting on the one hand in loss of revenue to the State and on the other, in giving extra legal benefit to a class of assessees.

69. In his evidence before the Committee, the Chairman, Central Board of Revenue explained that the necessity for the amendment of 1955 arose on account of the legal opinion given in 1938 that the specific mention of rent-free accommodation as a perquisite in the Act excluded taxation on other perquisities such as passage, etc., which were not convertible into money. The main object of the amendment of 1955 was to bring such concessions also within the scope of taxable income. It was further explained that as stated by the Finance Minister in the Lok Sabha when the Act was being amended, it was not the intention of Government to change the existing basis of evaluating the rent-free accommodation provided the rent paid therefor by the employer was reasonable. According to Government, it was the value of rent-free accommodation to the employee which was reckoned for purposes of assessment and this was determined at a reasonable percentage of his emoluments. Where, however, the disparity between the rent paid by the employer and the evaluation of the house as determined at the prescribed percentage of the salary of the employee was unduly great, the excess was liable to tax. With reference to the observation that by continuing the old executive orders, Government were giving extra legal benefits to a class of assessees, the Chairman, Central Board of Revenue invited the attention of the Committee to section 59(1) of the Income-tax Act which permitted the Central Board of Revenue to make rules prescribing the methods by which an estimate of income, profits and gains liable to tax may be made where such incomes, etc, could not be definitely ascertained or could be ascertained only with some amount of trouble and expense to the assessees. The executive instructions issued by the Government were in pursuance of these provisions of the Act and as such, no extra legal benefits were involved in their continued application.

70. The Committee find it difficult to endorse the view taken by Government. In their opinion section 7 as it stands after amendment could not admit of the interpretation now sought to be placed thereon by Government whatever their intentions might have been at the time of amending the Act. They doubt whether the expression 'value of rent-free accommodation' used in the Act could be stretched to mean the value of the accommodation to the employee and as such was relatable to the emoluments of the employee. In view of the difference of opinion that had arisen between the Comptroller and Auditor-General and the Government, the Committee feel that the opinion of the Attorney-General should have been sought in the matter as soon as it arose.

71. In regard to the exclusion of the value of the cost of water and electricity provided free of charge to Ministers and other dignitaries for the purpose of income-tax, the Chairman, Central Board of Revenue stated that the Salaries and Allowances of Ministers

Act, 1952 provided that 'no charge shall fall on the Minister personally in respect of the maintenance of such a residence' which, as advised by the Law Ministry, included also a charge under the Income-tax Act. During the course of the examination, the Committee learnt that it was the view of the Board that the charges for water and electricity in respect of the Ministers' residences, which were payable by Government to separate authorities like the Municipality and State Electricity Authority, should be regarded as additional emoluments of the persons and be taxed as such; but the legal advice was otherwise. The Committee think that this is a fit case for reference to the Attorney-General for opinion. The Committee would also like to add that it would be a good practice in future to refer all similar cases, where the beneficiaries are members of the Government, to the Attorney-General for his opinion.

OUTSTANDING RECOMMENDATIONS

Para 51 *of the* 16*th Report—Income-tax cases*

72. The Committee considered the statement (Appendix VII, Vol. II) furnished by the Central Board of Revenue with reference to paragraph 51 of their 16th Report giving the number of cases completed by the Income-tax Investigation Commission, the number of cases taken over by the Government and the progress in their settlement. During the course of examination, the Committee were given to understand that the original target date of March, 1957 for the clearance of all outstanding cases would have to be extended by about another year because of the fact that the right of Government to allocate cases to Special Officers instead of allocating them on a territorial basis had been challenged in the Supreme Court.

73. From the information (Appendix VIII, Vol. II) furnished to them, the Committee find that 189 cases have been disposed of till 30th November, 1956 of which 127 cases represented those completed by the Investigation Commission. (The number of cases disposed of till 31st May, 1956 was 157 out of which 117 were cases completed by the Investigation Commission). In other words, the Board had been able to dispose of only 22 fresh cases during a period of 6 months. At this rate Committee do not know whether the expectation of the Chairman could be fulfilled at all. Out of a total demand of Rs. 29.42 crores only Rs. 11.96 crores have been collected so far. The progress of realisation is, according to their own reckoning, bound to be slow in view of certain further developments. The Committee understand that the full complement of the staff as was drafted with the Investigation Commission is still being continued. Considering the chequered progress of this scheme and the number of hurdles it had to face every now and then, the Committee would urge that the whole matter be examined afresh with a view to simplyfying the process and speeding up the machinery for assessment and collection.

MINISTRY OF FOOD AND AGRICULTURE

Audit Report (Civil), 1955—Part I

Paragraph 16—*Purchase of rice*

74. From January, 1950, the Government had been purchasing rice from a foreign country through the Indian Legation there against the quota allotted by the Government of that country. The cost of the rice was paid direct to that Government at controlled rates notified by them and the handling agent was paid his actual expenses *plus* commission for placing the rice F.O.B. at port. During 1950, several offers were received by the Government from firms in India for the supply of rice from that country. All these trade offers were not considered and the firms were informed that Government were not interested in these offers, as their requirements had been fully covered by the purchases on Government to Government account. One such offer received on the 6th November, 1950 from a Bombay firm for the supply of 10,000 tons of broken white rice of A-1 super quality at £38 per metric ton C.I.F. Indian port was, however, favourably considered by the Ministry and on the 16th November, 1950 an order for 10,000 tons of rice was placed on the Bombay firm despite advice of the Indian Legation in the foreign country not to introduce private traders. Government also extended an unusual concession to the firm by opening an irrevocable letter of credit in its favour with the Imperial Bank of India.

75. Another firm from Madras had offered on 30th October, 1950, a week before the offer from the Bombay firm to supply 30,000 tons of the same quality of rice at £36 per ton C.I.F. Indian port. No action, was, however, taken on the offer of the Madras firm till the 16th November, 1950. No reference was also made to this earlier and lower offer while considering the offer from the Bombay firm on which the contract was placed. The failure to take notice of the earlier and cheaper offer of £36 per ton resulted in Government paying £20,000 or Rs. 2·67 lakhs extra on this purchase.

76. Explaining the reasons that led Government to introduce private traders, the Secretary, Ministry of Food and Agriculture informed the Committee that between May and October, 1950 the stock position of rice was getting depleted at an alarming rate and since supplies on Government to Government account were not being received as quickly as was desired, decision was taken at the highest level in October to accept offers from private trade for the supply of rice. There was a rush of private parties; some of them genuine and some not genuine. A large number of offers were being received from various private parties by the Ministry at various levels; some of the offers did go up to the Minister on which he passed orders. The orders on the offer of 10,000 tons of rice at £38 were passed independently of the other offers.

77. The Committee desired to know the reasons why the earlier offer from the Madras firm for a larger tonnage at a cheaper price was not considered by Government as expeditiously as the

later offer from the Bombay firm, if the stock position of rice was so grave. In reply, the Committee were told that some enquiries were made from the Madras firm which revealed that it was only acting as an agent, not connected with any big party and had no ready stocks; the offer was therefore taken as one of the many irresponsible offers coming into the Ministry. The Comptroller and Auditor-General, however, pointed out that the position of the Bombay firm was not different from that of the Madras firm. No action was considered necessary by the Ministry on the offer of the 30th October, 1950 from the Madras firm on the ground that all imports of rice and broken rice were on Government to Government basis. This was on 1st November, 1950. On receipt of the offer from the Bombay firm on the 6th November, it was favourably considered; a decision thereon was taken within 24 hours as stipulated by the firm; and an order for the supply of 10,000 tons of rice was placed on the firm on the 16th November. There was a revival of interest in the offer from the Madras firm on the 18th November, a couple of days after the contract with the Bombay firm at a higher rate had been concluded. A note was recorded on the file relating to the offer from the Madras firm to the effect that the offer was very much attractive and as Government was awfully in need of rice, the firm might be asked telegraphically to furnish details of the offer.

78. In the light of the above facts, the Committee find it difficult to accept the plea that the offers from the two firms were considered independently in the Ministry. Even if the Minister was not aware of the receipt of the offer from the Madras firm when he gave his decision on the offer from the Bombay firm, the Committee feel that the Ministry should have apprised him of the receipt of the Madras offer for the same quality rice at a lower rate, so that the deal with the Bombay firm, could have been negotiated at the lesser rate, which was profitable to Government. During their examination, the Committee could not get a convincing answer for this omission on the part of the officials. They are, therefore, led to the belief that there had been a calculated effort in the Ministry not to take a decision on the offer from the Madras firm till the offer at a higher rate from the Bombay firm was accepted and orders placed. The Committee desire that an enquiry should be made into the case with a view to fix individual responsibility for the loss of about Rs. 2·67 lakhs to Government.

Para 17—*Construction of tube wells in certain States*

79. Early in 1948, the Government of India invited an American firm to investigate into the availability of subsoil water in the Indo-Gangetic Plain with a view to constructing tube-wells in that area. The scheme was based on the presumption that a loan would be available from the International Bank. As a result of the survey, a programme for the construction of 4,565 tube-wells was drawn up by the Ministry in consultation with the States concerned. The Bank, however, pointed out that the investigations carried out were

not sufficient and further investigations were necessary before the loan could be granted. Thereupon the Government of India decided to get a suitable firm from the Sterling area to undertake the work. A firm from U.K. offered to undertake the job with the help of its associate firm in India and the offer was accepted by the Government of India in March, 1950.

80. Although it was proposed originally that the Government of India would execute the contract with the firm, it was later decided that each State should in view of its own peculiar problems negotiate its individual contract with the firm, but within the framework to be prepared by the Government of India with the object of maintaining uniformity. Contracts for the sinking 964 tube-wells in three States were finalised in December, 1950 and 908 tube-wells were completed upto September, 1954. The Comptroller and Auditor-General has invited attention to the following special features in the contracts and irregularities in the execution of the tube-wells which were commonly noticed in the contracts with all the States:—

(a) the contracts relating to expenditure in India were based on cost plus profit;

(b) there was absence of fair competition;

(c) advances amounting to Rs. 47·8 lakhs were paid free of interest; and

(d) there was delay in the execution of works and the due date for completion was not observed.

81. In evidence, the Committee were informed that the scheme was launched as an emergency measure to step up the production of food. The obective of this "emergency measure" was evidently not fully served considering the delay that took place in the construction of the tube-wells despite many extensions of time. In reply to a question why tenders were not invited from intending firms to undertake this job, the Committee were informed that only a few firms had experience of the new process by which a tube-well could be sunk in 24 hours and it was considered better to negotiate with a firm knowing the work rather than to call for open tenders. The Committee were, however, surprised to learn that the firm whose offer Government had accepted had no experience of this work. This firm came into existence specially for this contract with a paid-up capital of £100 and the firms associated with it were only engaged in the production of boring equipment and not in tube-well boring. The Committee further learnt from a recorded note read out to them that there was another Continental firm which was prepared to do the job at very much cheaper rates and even if the work had been done departmentally, it would have been cheaper.

82. The representative of the Ministry raised a question before the Committee—whether the Central Government was answerable to this Committee for the detailed operations of the contracts entered into by the State Governments with the firm. Illustrating

his point, he referred to the various State schemes included in the Second Five-Year Plan for the implementation of which the States were responsible and accountable to the respective Legislatures though the schemes were within the Plan-frame as laid down by Parliament. While the Committee appreciate the force of the above argument, in their opinion, the present case is distinguishable in that the States concerned were not acting within a policy directive like food policy, but were constrained to act within the framework of a contract, prepared by the Government of India. The Committee regret to observe that the framework of the contract was defective in certain respects and was thus responsible for the subsequent lapses in the execution of the scheme in the States.

Commercial Appendix to the Appropriation Accounts (Civil), 1952-53

Page 155—*Paras* 168 *and* 171—*Forest Department, Andamans*

83. The Committee's attention has been drawn to the fact that in working out the profits of the Forest Department, Andamans for 1952-53, no element of royalty had been taken into account. In extenuation, the representative of the Ministry of Food and Agriculture informed the Committee that this matter was considered in the past and dropped. The Committee feel that this was not correct and would suggest that in assessing the profits of the operations, there should be a set-off of an amount of royalty, which should be determined in consultation with Audit.

It has also been pointed out by the Comptroller and Auditor General that outstandings under sundry debtors had increased during 1952-53. Nearly 41·6% of the outstandings were reported to be from a single company. It is needless for the Committee to emphasise the desirability of reducing the outstandings. In case of delay, the penalty provision in the agreement should be invoked.

Page 169—*Para* 191—*Central Tractor Organisation—Loss in operation by new units*

84. The Committee note that Government are taking active steps to bring down the cost of operation etc. of the Central Tractor Organisation. The two workshops at Delhi and Bairagarh have been amalgamated into one at Delhi in order to effect a reduction of overheads. Drastic economies are reported to have been carried out in the staff. Economy effected so far was in the neighbourhood of Rs. 4 lakhs a year. However, the Committee understand that the revised cost of operation will still be higher than the rate at which the Central Tractor Organisation was making recoveries from the State Governments. There was no doubt an element of subsidy, the representative of the Ministry added, and that it would have to be tapered off gradually. The Committee do not see why the Central Tractor Organisation which is run on a commercial basis, should charge the State Governments at a rate less than its actual cost of reclamation. They would invite the attention of the

Ministry to their as well as the Estimates Committee's recommendations in the past for bringing down the cost of operations of the Central Tractor Organisation and desired to have a detailed note from the Ministry indicating the extent to which the economies etc. suggested by them had been effected. This note is still awaited.

Page 184—*Para* 203—*Reserve Pool of Fertilisers*

85. In this para, the Committee came across an interesting case. In the profit and loss account of the Nitrogenous Fertiliser Pool for 1951-52, a sum of Rs. 5 lakhs representing anticipated recovery from a company was credited to the account of that year. This claim, as well as certain other counter-claims of the company, was referred to Arbitrators who awarded a net sum of Rs. 5,44,011 to be paid by Government to the Company. In view of this, the net profit of Rs. 4,44,627 shown in the Profit and Loss account did not present the true working result of the Pool.

86. In evidence, the Committee were informed that Government owed certain sum to the Company for services rendered in 1949 and 1950 and this claim was held up pending settlement of disputes regarding certain claims by Government on the Company. Necessary provision for payment of this amount to the Company was made in the profit and loss account for the previous year (1950-51). From a note (Appendix IX, Vol. II) forwarded to the Committee, at their instance, the Committee observe that the total of the claims preferred by the Company on Government was Rs. 12·82 lakhs, more than double the amount claimed by Government. Judging from the account of the progress of the earlier negotiation between Government and the Company as given in the note, they are at a loss to find the justification for taking credit in the profit and loss account. Such credits of dubious nature not only distort the true picture of the working, but also go against well-recognised principles of commercial accounting. The Committee attach great importance to sound commercial accounting in view of progressive increase in the number of commercial undertakings run by Government. They would urge upon the Ministry of Finance to go into this question in consultation with the Comptroller and Auditor-General and see that the principles of commercial accounting are strictly followed.

MINISTRY OF LABOUR

Audit Report (Civil), 1955—Part I

Para 18—*Infructuous Expenditure on accommodation etc.*

87. The local audit of the account of the Employees' State Insurance Corporation had disclosed that large expenditure had been incurred on preliminary arrangements such as setting up offices, and provision of staff therefor, etc., long before the actual implementation of the scheme. In many cases the Corporation had gone ahead with its plans for implementing the scheme and had incurred expenditure without obtaining any clear and authoritative assurance

from the State Governments that they were ready with their part of the arrangements. In one area, the scheme was to start from July, 1953 but was deferred till the 15th August, 1955 resulting in an infructuous expenditure of Rs. 53,800 on rent and about Rs. 50,000 on salaries of staff. In another, the scheme which should have been started on the 26th January, 1955 was postponed indefinitely after an expenditure of Rs. 8,000 had been incurred on rent.

88. In evidence, it was explained to the Committee that there was always dual responsibility in this matter. While the Corporation was responsible for certain preliminary arrangements, the State Governments were responsible for matters concerning medical benefits. Unless there was proper synchronisation, expenditure of an infructuous character could not be avoided. The Committee were assured that in this matter, the Corporation was observing all precautions by taking independent stock of the situation. The head of the Corporation visited the States for spot assessment of the positions and discussion with the parties concerned.

89. The Committee were also informed that in condoning the infructuous expenditure, the executive body of the Corporation had accepted the principle that the Corporation should in future proceed with its preparations for implementing the schemes only after a State Government communicated in writing that all important points on the State side had been finalised.

MINISTRY OF REHABILITATION

Audit Report (Civil), 1955—Part I

Para 19—*Relief and Rehabilitation of displaced persons*

90. The total expenditure on relief and rehabilitation during the year 1953-54 as well as the progressive expenditure on this account was as follows:—

(In crores)

		Expenditure during 1953-54	Progressive total upto 1953-54
Expenditure on Displaced persons.			
In camps.		5.5	84.9
Outside camps		4.8	
Capital cost of construction of townships for displaced persons.	2.8		15.8

91. The progressive total of loans to State Governments for rehabilitation upto 1953-54 was about Rs. 86 crores and the recoveries effected from the States so far was about Rs. 9 crores.

92. The loans were for rehabilitation purposes and comprised of various categories such as those for rural housing, agriculture, industrial purposes, education of students, etc. These loans were

advanced to the various State Governments for disbursements to the parties concerned. The repayment of the loans by the State Governments was linked with the refund of the loans by the displaced persons and this, the Committee were informed, explained the slow progress of recovery.

93. The Committee were also informed that the losses on account of defaulters were shared equally between the Centre and the State in the Western Zone. In the Eastern Zone, practically the entire loss was borne by the Centre. The Committee would like to know how the loss is being calculated and at what intervals. They would also like to be informed whether any amount of loan has been written off so far by the Centre.

94. The Committee consider that write-off of loans advanced on the authority of the Appropriation Act should be made with the approval of Parliament and would wish the Ministry of Finance to examine how such approval ought to be obtained.

MINISTRY OF TRANSPORT

Audit Report (Civil), 1955—Part I

Para 20—Purchase of unseaworthy vessel.

95. The Director of Navigation negotiated on the 8th June, 1948 the purchase of a second-hand motor vessel of a Zamindar, lying in a dockyard without a survey certificate, at a cost of Rs. 1,60,000 for service on National Highways as a ferry steamer on the Brahmaputra. The deal was finalised on the 20th September, 1948 by the Director of Navigation in spite of the fact that the Principal Engineer and Ship Surveyor had not issued the survey certificates. The craft was converted into a passenger and cargo carrying vessel and its engines were overhauled at a cost of Rs. 23,343. But even after the overhauling the engines gave trouble during trials and though the Principal Engineer and the Ship Surveyor did not certify it, the vessel was commissioned into service. After 56 days' service in 1949, it had again to be repaired at a cost of Rs. 33,734. Even then, after working for 19 days in 1950, it again went out of order. During 1951 and 1952 it was reported to have worked for 141 and 271 days respectively. The expenditure on the purchase and subsequent repairs of this second-hand vessel amounting to Rs. 2,25,780 had mostly proved infructuous. Finally, the vessel had to be disposed off through Disposals Organisation.

96. The Committee were informed by the Ministry in evidence that the vessel was purchased during the critical days when rail and road communications between West Bengal and Assam were disrupted and no traffic was possible through East Pakistan. A ferry was urgently required. New ferries were not available in the market and out of the three old vessels (which had been originally sold by the Government of India as disposal stores) available at that time, the Director of Navigation in the Central Water Power Commission

recommended this vessel inasmuch as the other two were in his view, unsuitable. This boat had been previously sold by Government for Rs. 70,000 and it was repurchased for Rs. 1,60,000. The difference was due to the cost of repairs to the ferry carried out by the owner, Rs. 71,000 and the balance of Rs. 19,000 was his profit.

97. It was contended by the representative of the Ministry that the vessel could not be issued a certificate of seaworthiness under the Indian Steam Vessels Act, as the boat was not fitted with chains, anchors and other such auxiliary equipments. These deficiencies, according to him, were not serious and the vessel did actually travel from Calcutta to Assam, a distance of 800 miles, without any trouble. The Committee's attention, however, was drawn by the Comptroller and Auditor-General to a report that "on the way from Calcutta to Assam, the engines, the circulating pumps, the lubricating system and the dynamos gave the same trouble as in Calcutta". It was the view of the Ministry that the report should be discounted as incorrect as an officer of the Assam Government while taking possession of the boat at Calcutta as well as another officer while taking charge of it at Assam had certified that the condition of the vessel was good. The Committee find it difficult to accept this view. The fact that the vessel went out of order immediately on its arrival at Assam and also the fact that the firm of Electrical Engineers who had examined the vessel prior to its being commissioned into service had found defects which required a thorough overhaul of the generator and renewal of the distribution wirings convincingly proved that the vessel was unseaworthy and its voyage over the distance of 800 miles from Calcutta to Assam could not be taken as a proof of its soundness. The Committee are rather concerned at the complacency of some persons who advised putting the vessel on the seas before it was declared seaworthy, which contravened the Indian Steam Vessels Act. In extenuation, it was urged that the vessel was required urgently and there was no time to carry out the repairs. The Committee consider the plea hardly convincing especially when, according to the Ministry themselves, the boat which was purchased in September, 1948 was commissioned only in March, 1949 and worked only for 56 days in 1949.

98. Judging from the facts before them, the Committee feel that the purchase of the second-hand vessel lacked justification. They understand that the Superintending Engineer, Assam had conducted a detailed enquiry into this case and submitted a report to Government. They desire that a copy of the report of the Superintending Engineer, Assam, and Government's comments thereon should be submitted to them.

OUTSTANDING RECOMMENDATIONS

Para 123 *of the Sixteenth Report—Uneconomical purchase of a second-hand tractor.*

99. The previous Committee had criticised this case of uneconomical purchase of a second-hand tractor which was reported in

para 11(a) of the Audit Report (Civil), 1954-Part I. The Committee were then informed that the explanation of the Mechanical Engineer was under consideration.

100. From a note (Appendix IX, Vol. II) submitted to them the Committee understand that there was an interval of about 2 months between the date when the Mechanical Engineer had first tested the tractor and certified that it was all right, and the date when the tractor was actually received from the supplier. The tractor was not re-tested by the Mechanical Engineer, on the latter occasion nor when the tractor and the bull-dozer gave trouble. In the circumstances, the Mechanical Engineer, it was urged, could not be held responsible. The Executive Engineer who was responsible for incurring expenditure on repairs to the tractor without sanction, was a temporary Government servant and gave up service about three to four years ago. No action was therefore possible against him.

101. The Committee observe the helplessness of Government in this case. They cannot help feeling that a timely enquiry into the circumstances of this case (even sometime between 1950 when the tractor became useless and 1953 when it was sold by auction resulting in a loss of Rs. 8,888 to Government) could have enabled Government to fix responsibility and to enforce recovery if due, from the Executive Engineer. The Committee had occasion in the past to comment on similar delays in starting enquiries. The Committee would, therefore, once again stress the need for taking timely action in such matters.

MINISTRY OF WORKS, HOUSING AND SUPPLY

Para 21—Delay and extra expenditure in making purchase.

102. On the 13th June, 1949, the Director General of Supplies and Disposals received from the Central Public Works Department an indent for early supply of 500 seamless steel tubular poles. In October, 1949 the purchase Organisation proposed to place an order at a cost of Rs. 55,200 on the basis of the lowest acceptable tender, but the Finance Ministry suggested that as the proposal involved foreign exchange, the Director General of Supplies and Disposals might, in consultation with the Central Public Works Department, consider the possibility of procuring the stores from indigenous sources with a view to conserve foreign exchange. No further action appears to have been taken in the matter. The Central Public Works Department reminded the Director General of Supplies and Disposals first in February, 1950 and then again in April, 1950 that the stores were urgently required; even then no action was taken by the Purchase Organisation. The indentor again reminded the Director General of Supplies and Disposals in July, 1952. Purchase action was initiated in August, 1952 and in September, 1952 orders of the value of Rs. 81,697 were placed with three contractors resulting in an extra expenditure of Rs. 26,497.

103. In evidence, the Committee were informed that there were four indents simultaneously for such poles and there had been some misunderstanding between the Central Public Works Department and the Purchase Organisation about the last one which formed the subject matter of this para, in the Audit Report. The Committee can hardly be convinced of the circumstances which, according to the Director General of Supplies and Disposal led to the misunderstanding. It was the duty of the Purchase Organisation to have got proper clarification from the indentor in which it had obviously failed.

104. The Committee are glad that the representative of the Ministry of Works, Housing and Supply admitted that there was really no explanation in extenuation of the delay of over two years in initiating action in respect of this indent. It was a case of pure and simple neglect on the part of the officer concerned, whose duty it was to review the outstanding indents. The Committee were informed that a warning had been administered to the officer. They feel that Government had been needlessly mild in this matter.

105. The Committee feel that in this case, the indentor (Central Public Works Department) were also not blameless. Having indented for the poles for early supply, it is surprising why they did not pursue the matter more vigorously with the Purchase Organisation instead of waiting so long and depending on that Organisation.

106. In the Committee's opinion, this case reflects badly on the manner, in which indents are made and processed. The Committee were informed that the procedure for processing indents in the Purchase Organisation has since been tightened up to avoid recurrence of such lapses.

107. While the Committee would like to watch the results of the actual working of the procedure for processing indents, they regret to add that during one of their on-the-spot study visits they came across another instance of alleged inordinate delay on the part of the Purchase Organisation in procuring a minor component of an electric equipment required by the Fuel Research Institute, Dhanbad and for want of which, the Institute was being handicapped for the last one year or so. The Committee desire to be apprised of the actual facts of this case. They would also urge that measures devised to streamline the work are translated into action expeditiously.

108. There is another aspect of the case which the Committee cannot overlook. They were given to understand that the Finance Ministry did not agree to the placing of the orders on the fourth indent for Rs. 55,200 as it involved foreign exchange and they had, therefore, suggested that the possibility of securing the material from indigenous sources should be explored. As there was no prospect of getting the materials to the satisfaction of the indentors from indigenous sources, the stores had eventually to be obtained from abroad. In reply to a question as to how the Finance Ministry agreed to the release of the foreign exchange on the subsequent occasion, the representative of the Finance Ministry informed the Committee that although he had not looked into the particular aspect,

his opinion was that the Finance Ministry eventually agreed to the purchase being made from hard currency area because the matter had already been delayed considerably.

109. The Committee were, however, informed that two of the other three indents also involved foreign exchange for which Finance Ministry did not raise any objection. It is, therefore, surprising why the Ministry of Finance should have raised the objection in the case of the fourth indent especially when the indentor had asked for supplies urgently.

Para 22—Extra Expenditure on U.S. Stores

110. A contract was entered into with a firm in April, 1949 for the immediate supply of certain stores of U.S.A. origin at a total cost of about Rs. 13,65,000. The firm having failed to supply the stores by 30th June, 1949, the stipulated date, the contract was cancelled on the 8th July, 1949 at their risk and expense. A limited tender enquiry was issued for the repurchase of the stores on the 14th July, 1949 and the tenders were opened on the 8th August, 1949. The above firm was also asked to quote again (this facility was to be given in accordance with the procedure laid down) and was asked to deposit earnest money for due fulfilment of the contract. It did not furnish the deposit and so the purchase was subsequently made on 13th December, 1949 from another firm. The latter's quotations were in dollars based on the (pre-devaluation) exchange rate of Rs. 334 per 100 dollars, with the condition that Government had to meet price changes resulting from variation in the dollar exchange during the interval before the grant of import licence. As a result of devaluation of the rupee the stores cost Government Rs. 17,85,493 involving an additional expenditure of about Rs. 4,20,493.

111. The question of recovering from the first firm the extra cost to Government in securing the substitute stores was dropped in June, 1952 on legal advice and with the concurrence of the Ministry of Finance, but was repoened at the instance of Audit in October, 1952. The legal opinion in November, 1953 was that the amount was recoverable from the defaulting firm and the matter was under arbitration proceedings.

112. The question of recovery from the defaulting firm of the extra cost to Government in securing the substitute stores was, the Committee were informed in evidence, first examined by the Directorate General of Supplies and Disposals in consultation with the Special Solicitor whose opinion was that Government could not recover their expenses of risk purchases. The Committee understand the Ministry of Law concurred in this view. Not satisfied with this, the Ministry again referred the case to the Ministry of Law. The Solicitor to the Government of India opined on 10th January, 1951 that Government had a good case for making a claim against the defaulting firm. A demand was made on the defaulting firm on 6th February, 1951 to make good the extra cost to Government which

the firm refuted on 26th March, 1951. The Ministry then decided to go to arbitration and appointed the Special Solicitor attached to the Directorate General of Disposals and Supplies as Government Arbitrator, who, however, expressed a desire to be relieved of his duties as he had already expressed a different view on the matter. The Administrative Ministry decided to have the opinion of the Attorney General before referring the case to arbitration. The Law Ministry looked into this case again and on the 20th May, 1952, it gave the following advice:—

> "It is not now necessary to refer the matter to the Attorney General. We need not press our claim for compensation against them. I have consulted the Secretary".

In view of the above opinion, the Ministry decided in June, 1952 in consultation with the Ministry of Finance, that the question of recovery from the defaulting firm should be dropped.

113. The case was, however, reopened in October, 1952 at the instance of Audit and the Attorney General who was consulted in the matter gave his opinion on 12th November, 1953 that the amount was recoverable from the defaulting firm, upon which arbitration proceedings were instituted.

114. It was pleaded by the Administrative Ministry that they were guided in this matter by the advice of the Ministry of Law. The Committee were not, however, fully convinced of this plea. The lingering manner in which the case had been progressed—in fact the then Directorate General of Supplies and Disposals had put up a plausible case against claiming refund—indicated clearly that there had been insufficient vigour in dealing with this case.

115. Another distressing feature of this case is that at each stage there had been inordinate delay which smothered the case. For instance, the firm repudiated the claim on 26th March, 1951. The Administrative Ministry then decided to obtain the opinion of the Ministry of Law. The advice was, however, not obtained before the 20th May, 1952—after a lapse of 14 months from the date of repudiation of the claim by the firm. The case which was dropped in June, 1952 was reopened at the instance of Audit in October, 1952 but the opinion of the Attorney General was not obtained before 12th November, 1953—a delay of another 13 months. The Committee are alarmed at such delays and would urge that Government should evolve a procedure whereby delay in the process of obtaining legal opinion is reduced to the minimum as otherwise chances of successful prosecution of fit cases would be adversely affected by mere passage of time.

116. The Committee are also distressed to observe the conflicting opinion given by the Officers of the Ministry of Law which placed the Administrative Ministry on the horns of a dilemma.

117. During the last two years they had come across cases which, in view of the conflicting opinions expressed by the Law Officers

could not be proceeded with to a successful end. The Committee would like that Government should give some thought to this matter.

118. The Committee observe from the note submitted by the Ministry (Appendix XI, Vol.. II) that the arbitration proceedings stand adjourned *sine die* pending the hearing by the High Court of a revision filed by the firm against the orders of the lower court dismissing its objection to extensions granted by the Government Arbitrator for filing of Government claim. The Committee would like to be apprised of the final outcome of this case.

Para 23.—*Loss of cheque and losses in cash.*

119. In a Central Public Works Division it was found on 15th June, 1955 that two cheques had been torn off from the cheque book in use, the blank counterfoils being intact. Enquiries from the Bank on 16th June, 1955, revealed that one cheque amounting to Rs. 3,500 had been cashed on the 6th June, 1955 and the payment against the other for Rs. 2,000 was withheld. The matter was reported to the Police on the 16th June, 1955. The Cashier absented himself from duty the following day and later on committed suicide. Further investigations brought to light the following other irregularities. Cash in chest was found to be short of the balance as worked out from the entries in the cash books by Rs. 1,923. Examination of the details of closing balances of cash revealed that every month from September, 1954 onwards, the amounts shown therein as temporary advances made to Assistant Engineers for disbursement of wages to labour were higher than the actual sums acknowledged by them. By this manipulation a sum of Rs. 6,500 had been misappropriated. Two cheques drawn in favour of contractors in December, 1954 and January, 1955 were for amounts in excess of their bills passed for payment, resulting in an overpayment of Rs. 397 which had been recovered.

120. While the Committee agree that the cashier was primarily responsible for the loss, in their opinion, the Executive Engineer was also at fault for his contributory negligence and laxity of financial control.

121. The Committee note that necessary disciplinary action has been taken against the officer including the recovery of Rs. 3,000 from him and that suitable instructions have also been issued in order to prvent recurrence of such cases. The Committee would urge that severe notice should be taken of and deterrent punishment meted out to officials who act in utter disregard and in violation of the rules and instructions on the matter and are guilty of gross negligence. Early steps should be taken to work out the net loss to Government and obtain the concurrence of the Finance Ministry for writing off of the loss.

Para 24.—*Loss on the Purchase of Medical Stores.*

122. On the basis of an urgent indent from a Medical Stores Depot, the Supply Organisation placed on the 15th March, 1949 a contract

with an unregistered firm for the supply of 4,200 lbs. of Zingibar Radix at a cost of Rs. 3,588 without prior approval of the competent authority. The delivery was to be completed by 31st March, 1949. The indentor, who was also the inspecting agency in this case did not complain till the 8th March, 1950 that the stores had not been received. The firm was thereupon given extension of time and eventually the contract was cancelled on the 6th July, 1950. The indentor was asked to make local purchase and proposal for re-purchase from another unregistered firm was sent on the 1st November, 1950 to the Directorate General of Supplies and Disposals for approval; but the case was delayed in the latter's office for a year despite repeated reminders and in the meanwhile the offer expired. At this stage an *ex post facto* sanction to regularise the first contract was also accorded. A fresh indent was obtained, tenders were again invited and the purchase was effected on the 28th November, 1951. The extra cost involved in the purchase was Rs. 6,495 and on 30th December, 1951 the defaulting firm was asked to bear this extra cost. The matter was not pursued vigorously and subsequent enquiries made revealed that the firm had already closed down and the proprietor had died but his son was living and traceable. Government decided on 8th December, 1953 to adjust the security deposit of Rs. 500 tendered by the firm and to waive the recovery of the balance of Rs. 5,995. In evidence the Directorate General of Supplies and Disposals admitted that there could be no valid explanation for the delay that had occurred in this case.

123. This is yet another typical case revealing the unbusinesslike manner in which the Supply Organisation had acted resulting in nearly three years' delay and extra cost to Government in obtaining certain medical stores which were "urgently required".

Para 26.—Misappropriation of Government money by an auctioneering firm.

124. A certain auctioneering firm had been withholding from Government the sale proceeds amounting to Rs. 12,56,604 in respect of auctions of surplus and obsolete stores conducted by it on behalf of Government between 1946 and 1947. The partners of the firm were prosecuted on a charge of criminal breach of trust. In June, 1954 the Court acquitted one of the partners but sentenced the other to four years' rigorous imprisonment and a fine of Rs. 13,21,000 or in default, a further sentence of 8 years' rigorous imprisonment. The partner who was convicted had appealed to the High Court and his appeal had been dismissed with a reduction in the sentence of imprisonment from 8 years to four years. The appeal preferred by Government against the acquittal of the other partner had also been dismissed.

125. In the course of the examination, the Committee were informed by the representatives of the Ministry of Works, Housing and Supply that the firm in question was one of the well known auctioneering firms functioning in the entire area of Bengal, Bihar,

Orissa and Assam. The value of the stores handled in the present case was quite colossal and the sum of Rs. 12 lakhs misappropriated was the sale proceeds of nine auctions.

126. The Committee were informed by the Comptroller and Auditor-General that under the standing orders prevalent at that time, the stocks holder could deliver the goods to the purchaser only after the purchaser had deposited the entire cost with the Treasury and produced the Treasury receipt in support. The stores in the present case had been released without the production of the treasury receipts. If the prescribed procedure had been followed, the firm of auctioneers could not have misappropriated the sum due to Government. The representative of the Ministry observed that in those days the auctioneer himself issued the release orders on receiving the money and apparently the orders in force were relaxed by the Regional Director of Disposals. In reply to a question whether the Officer was competent to relax the rules the Secretary, Ministry of Works, Housing and Supply observed that the matter had to be gone into as soon as the records which were now in Court became available.

127. The Committee are surprised that this case had not yet been investigated although more than 8 years had elapsed. They regret to observe that three of the officials involved had either resigned, retired or migrated to Pakistan. They could not get any satisfactory explanation as to why departmental proceedings were not instituted at the same time it was decided to launch criminal proceedings against the firm.

Para 27.—Loss due to non-acceptance of a more favourable offer.

128. A firm had offered to supply 20,000 tons of steel billets to Government at a C. I. F. rate with a freight variation cluase, which at the then prevailing freight rate would have amounted to $ 81·0852 per ton. The Government Purchasing Mission thought that it would be advantageous to place the contract on F. A. S. basis and arrange freight on Government account. The Mission, therefore, obtained from the firm an alternate quotation on F. A. S., basis, *i.e.*, exclusive of the ocean freight element. With the addition of the prevailing freight rate, the offer would have meant an overall outlay of $ 80·9375 per ton. On the 20th February, 1953 the Mission recommended to Government the acceptance of this F. A. S. quotation. On the same day the firm offered by cable a firm C. I. F. rate at $ 80.6302 which offer was repeated on the 24th February, 1953. Although this offer was the cheapest, no specific recommendation for its acceptance was made by the Mission while intimating the repeated offer to Government on 3rd March, 1953. Government also did not appear to have taken action thereon. The proposal to place the contract on F. A. S. basis was accepted by Government on 12th March, 1953.

129. The expectation that it would be possible to obtain cheaper freight rate did not materialise and eventually on 4th May, 1953 Government approved the finalisation of conrtcat at a C. I. F. rate of

$ 81.59 per ton, which was higher than the firm price quoted by the firm on 20th February, 1953. Failure to take advantage of the offer of February, 1953 involved Government in an extra expenditure of Rs. 91,409.

130. During the course of the examination by the Committee, the representative of the Ministry of Works, Housing and Supply, explained that the second quotation, namely that of the 20th February, 1953 was the same as the first because the first quotation of £32-12-5 per ton C.I.F. was in Australian currency. Converted into dollars it came to $ 80·63016, the same as the second offer of $ 80·632. The C. I F. rate, it was stated was, not accepted because the Purchasing Mission considered it would be possible to beat down the freight rate if freight was arranged on Government account, as on previous occasions it had been possible for the Mission to do so. But this was not to be as the freight had gone up in the meantime.

131. The Comptroller and Auditor General informed the Committee that recently he came across certain cases where the acceptance of quotations on F.A.S. basis in preference to C. I. F. had involved Government in heavy extra expenditure. This raised the question whether it was advisable to vest Supply Missions with the discretion to decide whether F.A.S. or C. I. F. quotation should be accepted in any particular case. The Ministry's representative observed that the Supply Officers who were on the spot should normally be in a better position to advise which of the quotation would be advantageous to Government and he observed that there had been cases where the acceptance of F.A.S. quotations had proved advantageous to Government. At the instance of the Committee, the Ministry agreed to review the whole matter with reference to quotations accepted over a period of years and to submit a note to the Committee.

132. In a note (Appendix XII, Vol. II) submitted to the Committee, it has been stated that although it was not possible to compare contracts on F.O.B. and C.I.F. basis to know which of them would be more advantageous, charter arrangement by Government was normally less expensive as it enabled Government to make the charter directly from the Baltic Exchange and to make freight payment in soft currency. The Committee desire that this position should be watched over a period of years with a view to evolve a formula for general guidance.

Appropriation Accounts (Civil), 1952-53 and Audit Report, 1954—

Part II. Page 526—Grant No. 99—Note 9—Requisitioned House

133. In November, 1944, the Government requisitioned a house while under construction. The landlord had agreed to complete it

if Government supplied the necessary materials. However, the house could not be completed due to the delay in the supply of the materials and it was released in October, 1945. Government had to pay a compensation of Rs. 3,300/- as per award of the High Court besides legal expenses of Rs. 850. The High Court in their judgment observed "that somebody in the Department was not vigilant enough to complete the house". In evidence, the Committee were surprisd to learn that the delay was attributable to inadequate delegation of powers. They trust that Government would review the existing powers of authorities and make suitable delegation of powers so as to avoid a recurrence of such cases.

Commercial Appendix to the Appropriation Accounts (Civil), 1952-53.

Calcutta.

Page 250—Para. 285—Government of India, Stationery Office.

134. The closing balances of stocks held on the 31st March, 1953 in certain categories were very much in excess of the permissible limits. They exceeded even the limits prescribed in para 40 of the Departmental Committee Report. In a large number of cases, fresh purchases continued to be made even though the opening stocks were sufficient to meet the demand during the year. The result was huge accumulation of stocks likely to last for several years. Purchases in large quantities were noticed to have been made during the year in certain cases in spite of the fact that there was no appreciable demand for the articles. There were instances where heavy purchases were made although there was no issue of the same article during the year. These unnecessary and excessive purchases resulted in blocking up of the capital.

135. In para 50 of their Seventh Report, the Committee had recommended the appointment of a small Committee to enquire into the reasons for keeping excessive stocks of stationery and typewriters in the Central Stationery Office, Calcutta. Though at first the Ministry did not agree to appoint a Committee of enquiry, subsequently a small Committee was set up in August, 1955 to enquire into the reasons for excessive provision of stationery and typewriters. The enquiry Committee had submitted a Report and the Public Accounts Committee in their last report on Civil Accounts asked for a copy of this Report together with a statement showing action taken by Government on that Report. They regret to note that the Report of the enquiry Committee (which took three months for the Committee to submit) was still under the consideration of Government. The Committee are distressed to note that the Ministry should take such a long time to take action on the Report. It is needless to point out that unless timely action is taken on reports of such special Committees of enquiry, the recommendations therein would lose much of their purpose by efflux of time. In this case not only Government had taken an unduly long time in implementing the Committee's recommendations but there had been

considerable delay in taking action on the report of the enquiry Committee for which the Committee could see no good reason*.

Statement of cases in which the lowest tenders were not accepted by the India Store Department, London, during the half year ended. 31st December, 1955.

136. On the 21st March, 1956 the Minister for Works, Housing and Supply laid on the Table of the Lok Sabha a copy of the Statement of cases in which the lowest tenders had not been accepted by the India Store Department, London, during the half year ending the 31st December, 1955 (Appendix XIII, Vol. II). In a case regarding the supply of 1080 Wheel Centres, the lowest tenderer offered delivery at the rate of 200 Wheel Centres per month commencing six months after placement of the contract. This was rejected as it was not acceptable to the Indenting Officer. The higher tenderer offered delivery at the rate of 100—150 Wheel Centres per week commencing from 14—16 weeks after placement of the contract. This was accepted as it offered quicker delivery. The contract was placed on this firm on the 8th December, 1955 and the contract contained a provision for recovery from the firm of the difference between the contract rate and that of the lowest acceptable tenderer (£ 6,426) in case of failure on the part of the firm to complete the delivery within the stipulated period.

137. Further enquiries made by this Committee have elicited the information from the Ministry that the India Store Department, London had entered into contract with that firm for two items and not one, viz. one for the supply of 270 Axles and the other for the supply of 1080 Wheel Centres. The firm was behind time in delivery in respect of 235 Axles and 89 Wheel Centres. On this basis the difference in cost recoverable from the contractor firm worked out to £ 2541-14-9 for which the India Store Department, London had now lodged the necessary claim with the firm.

138. The Committee believe that arrangements already exist in the India Store Department, London, and elsewhere for keeping a check on the progress of deliveries and on the due compliance of certain conditions, especially in cases where, because of those conditions the contract has been given to a higher tenderer in preference to a lower acceptable tenderer. It should be noted here that action to lodge a claim has been taken in this case only after an enquiry was made by the Lok Sabha Secretariat. The Committee would suggest that an enquiry which would examine this aspect and which would lead to the devising of measures to remove any existing defects in the present machinery would be worthwhile.

NEW DELHI:
The 19th March 1957,

V. B. GANDHI
Chairman,
Public Accounts Committee

*The Report together with the action taken by Government has been received on 28-12-1956 to consider which, the Committe could not find time.

PART II

Proceedings of the sittings of the Public Accounts Committee held on the 8th to 11th October, 6th to 9th and 21st Novemebr and 17th December, 1956.

PROCEEDINGS OF THE *NINTH SITTING OF THE PUBLIC ACCOUNTS COMMITTEE HELD ON MONDAY THE 8TH OCTOBER, 1956.

139. The Committee sat from 10.00 hours to 12-30 hours.

Present

Shri V. B. Gandhi—*Chairman.*

MEMBERS

2. Shri K. G. Deshmukh
3. Shri Diwan Chand Sharma
4. Shri Kamal Kumar Basu
5. Shri V. Boovaraghasamy
6. Shri Jaipal Singh
7. Shrimati Tarkeshwari Sinha
8. Shri Radhelal Vyas
9. Shri C. P. Matthen
10. Shri J. B. Kripalani
11. Shri G. Ranga
12. Shri R. M. Deshmukh
13. Shri Shyam Dhar Misra
14. Shri P. T. Leuva
15. Shri J. V. K. Vallabharao

Shri A. K. Chanda, *Comptroller and Auditor-General of India.*

Shri P. C. Pandhi. *Addl. Dy. Comptroller and Auditor-General.*

Shri S. Venkataramanan, *Accountant General, Central Revenues.*

Shri P. N. Bhandari, *Director of Commercial Audit.*

Shri S. C. Bhattacharya, *Chief Audit Officer, Food, Rehabilitation & Supply.*

SECRETARIAT

Shri V. Subramanian, *Deputy Secretary.*

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*Proceedings of the First to Eighh Sittings of the Public Accounts Committee (1956-57) relate to I. F. C. and P. & T. Accounts.

WITNESSES

Ministry of Works, Housing and Supply.

Shri M. R. Sachdev, I. C. S. ,*Secretary.*

Shri K. S. Krishnasawamy, *Joint Secretary.*

Shri V. N. Rajan, I. C. S.,*Director General of Supplies and Disposals.*

Shri J. M. Rijhwani, I.S.E., *Chief Engineer, C.P.W.D.*

Shri K. B. Rao, *Chief Controller of Printing and Stationery.*

Shri P. N. Krishnaswamy, I. A. & A. S., *Chief Pay and Accounts Officer.*

Ministry of Finance.

Shri P. K. Basu, *Financial Adviser (I. & W.)*

Shri Shiv Naubh Singh, *Deputy Secretary, Econ. Affairs Department.*

. . . . . .

140. Before proceeding with the examination of the witnesses of the Ministry of Works, Housing and Supply, the Committee observed a one minute silence in memory of Thakur Bhawani Singh, a Member of the Estimates Committee, who passed away recently.

Audit Report (Civil), 1955—Part I.

141. The Committee then took up for consideration paragraphs 21 to 27 of the Audit Report (Civil) 1955, Part I.

Para 21—Delay and extra expenditure in making purchases.

142. The Purchase Organisation reecived an indent from the C.P.W.D. in June, 1949 for the early supply of seamless Steel Tubular Poles. The Organisation proposed in October, 1949 to place an order, at a cost of Rs. 55,200/- on the basis of the lowest acceptable tender, but Finance did not agree as they were in favour of using indigenous materials and avoiding foreign exchange. No further action was taken in the matter. The indentor reminded in February, 1950 and again in April, 1950 that the stores were urgently required but no action was taken on the reminders. When the Indentor again reminded in July, 1952 purchase action was initiated in August, 1952 and in September, 1952 orders of the value of Rs. 81,697 were placed with three contractors. This involved the Government in an extra expenditure of Rs. 24,497. It was stated that the orders could not be placed in time as the file was misplaced. The financial effect of the delay in procurement on the project itself is not susceptible of evaluation.

The question of fixing responsiblity was stated to be still (26th April, 1055); under examination in the Purchase Organisation.

At the instance of the Chairman, the Secretary, Ministry of Works, Housing and Supply explained the background of the case as follows:—

143. The D.G.S. & D. had received four indents from the C.P.W.D. and the fourth indent was for 500 seamless Steel Tubular Poles from the C.P.W.D. on the 13th June, 1949. When the proposal for placing orders was submitted to the Finance Ministry, that Ministry suggested that as the proposal in respect of the fourth indent involved foreign exchange, the D.G.S. & D. might, in consultation with the indentors, consider the possibility of procuring the materials from indigenous sources with a view to conserve foreign exchange. A meeting was then called by the D.G.S. & D. at which were present the representatives of the indentors and the Finance Ministry. At the meeting, the indentor's representatives agreed to a suggestion that they should review the entire position with regard to all the four indents and would intimate the D.G.S. & D. further in the matter. On the 29th December, 1949, two letters were issued by the D.G.S. & D. to the C.P.W.D. No reply was received by the D.G.S. & D. and on the 27th March, 1950 he again wrote to the C.P.W.D. calling for replies to his two letters of the 29th December, 1949.

144. The Comptroller and Auditor-General intervening at this stage pointed out that according to the audit para, the indentors reminded the D.G.S. & D. in February, 1950. The Secretary, Ministry of W.H. & S. observed that as the subject matter cited at the top of that letter referred only to the first three indents, the letter, it was presumed by the D.G.S. & D. related to these indents only.

145. In reply to a question, the D.G.S. & D. informed the Committee that orders were placed for the three other indents in 1949, the dates being 2nd July, 14th September and 12th September, 1949. The Committee, therefore, observed that from the dates given by the D.G.S. & D. it was very clear that all the three indents had already been placed before the meeting. The representatives of the Ministry of W.H. & S. said that his impression was, however, different and that the orders were placed only after the meeting.

146. The Chairman at this stage observed that it was important that the committee should have correct facts about the dates. The C. & A.G. pointed out that the references to the other three indents were not quite relevant to the consideration of the audit para which dealt with only the fourth indent. The representative of the Ministry explained that what he wanted to place before the Committee was that all the four indents were under consideration together and there was some misunderstanding on the part of the D.G.S. & D. He admitted that there was delay in processing the fourth indent which was due to the fact that the officers in the Directorate were expecting a specific reply from the C.P.W.D. rgearding that indent, and since no reply was received, it was thought that no action was required to be taken by the D.G.S. & D.

147. The representative of the C.P.W.D. informed the Committee that in their reminders the C.P.W.D. did not give the impression that they had cancelled their fourth indent and the D.G.S. & D. should have asked for clarification if he had any doubt in the matter.

The Committee then desired to know why no action was taken till july, 1952 on the communication of the indentor in April, 1950 that the stores were urgently required. The representative of the Ministry of W.H. & S. admitted that there could be no explanation except that it was a case of pure and simple neglect on the part of the officers concerned. The relevant file was not missing in the sense that it had been removed or stolen. It was never reviewed or brought upto-date till the receipt of the reminder in July, 1952.

148. In reply to another query regarding the disciplinary aspect of the case, the Committee were informed that a full enquiry into the matter was made and the officer concerned who was dealing with the case in the D.G.S. & D. had since gone on promotion and a written warning had been issued to be placed on his personal file. The warning was issued after the officer had been promoted.

149. The Committee expressed concern about such delays which had become quite common and they were assured that for the future adequate steps had been taken to prevent such delays.

150. The Committee then drew the attention of the Finance Adviser to the fact that the Finance Ministry did not accord its concurrence to the placing of the indent orginally on the consideration that foreign exchange was involved, but that finally the stores were actually imported. The Financial Adviser informed the Committee that he had not looked into this aspect of the case, but in his opinion, the Finance Ministry would have probably thought it unwise to delay the matter any further as there had been already a good deal of delay.

Para 22—Extra expenditure on U.S. Stores.

151. A contract was entered into with a firm in April, 1949 for the immediate supply of certain stores of U.S.A. origin at a total cost of about Rs. 13,65,000. The firm having failed to supply the stores by 30th June, 1949, the stipulated date, the contract was cancelled on the 8th July, 1949 at their risk and expense. A limited tender enquiry was issued for the repurchase of the stores on the 14th July, 1949 and the tenders were opened on the 8th August, 1949. The above firm were also asked to quote again (this facility was to be given in accordance with the procedure laid down) and were asked to furnish a security deposit for due fulfilment of the contract. They did not furnish the deposit and so the purchase was subsequently made on 13th December, 1949 from another firm. The latter's quotations were in dollars based on the (pre-devaluation) exchange rate of Rs. 334 per 100 dollars, with the condition that Government had to meet price changes resulting from variation in the dollar exchange before the grant of import licence. As a result of devaluation of the rupee the stores cost Government Rs. 17,85,493

involving an additional expenditure of about Rs. 4,20,493. The question of recovering from the first firm the extra cost to Government in securing the substitute stores was dropped in June, 1952 on legal advice and the concurrence of the Ministry of Finance, but was re-opened at the instance of Audit in October, 1952. The legal opinion in November, 1953 was that the amount was recoverable from the defaulting firm and the matter was under arbitration proceedings.

152. In reply to a question as to why the contract for these imported stores was placed with the Indian firm in the first instance although the firm was not registered with the Ministry of Supply, the Committee were informed that this firm were the agents of the manufacturers and the latter had written to the D.G.S. & D. to that effect.

The entire discussion on this para revolved round the question of enforcing the claims against the defaulting firm for compensating Government for the extra expenditure incurred consequent on the failure of the firm to fulfil the terms of the contract.

153. The points raised by the Committee were that there was no need for Government to have taken legal opinion before demanding compensation from the defaulting firm when the contract was cancelled 'at their risk and expense'. When the opinion of the Law Ministry was against pressing for compensation, in view of the large sum involved the Administrative Ministry should not have rest content with the opinion of the Assistant Solicitor in the Law Ministry, but should have referred the matter at a higher level. The representative of the Ministry informed the Committee that in this particular case the Ministry did suggest that the views of the Attorney General should be obtained but the Ministry of Law did not consider it necessary to refer the matter to the Attorney General (the officer giving the opinion having consulted the Secretary, Law Ministry).

154. In reply to another question whether Government made a demand on the firm for compensation, the representative of the Ministry of W. H. & S. informed the Committee that on the 6th February, 1951, a demand was made on the defaulting firm, but that on the 26th March, 1951, the Legal Advisers to the firm replied stating that the claim was *malafide* and as such the question of payment of compensation did not arise.

155. The Committe also learnt in the course of the evidence that on the first occasion when the case for claiming compensation was referred to the Law Ministry in 1951, the Solicitor to the Government gave in January, 1951, the opinion that Government had a case for compensation. The Administrative Ministry did in fact decide to go to arbitration. But the Government arbitrator expressed a desire to be relieved of his duties as he had already expressed a different view on the matter. The case was, therefore, referred to the Law Ministry again in 1952; the advice of that Ministry in May, 1952 was that there was no case.

The representative of the Ministry agreed to furnish the Committee with a note* setting forth the issues now before arbitration.

Para. 23-Loss of cheques and losses in cash.

156. In a C.P.W.D. Division it was found on the 15th June, 1955 that two cheques had been torn off from the cheque book in use, the blank counterfoils being inact. Enquiries from the Bank on the 16th June, 1955 revealed that both the cheques had been drawn in favour of a private person unconnected with the affairs of the Division. One cheque for Rs. 3,500 had been paid on the 6th June, 1955 and the payment against the other for Rs. 2,000 was stopped. The matter was reported to the Police on the 16th June, 1955 and the results of the investigation were awaited. The cashier absented himself from the 17th June, 1955 and later on committed suicide.

157. The cash chest was opened on the 22nd June, 1955 with the duplicate of the Cashier's key obtained from the Treasury. Cash in chest was found to be short of the balance as worked out from the entries in the cash books, by Rs. 1,923.

Examination of the details of closing balances of cash revealed that every month from September, 1954 onwards the amounts shown therein as temporary advances made to Assistant Engineers for disbursement of wages to labour were higher than the actual sums acknowledged by them. By this manipulation a sum of Rs. 6,500 had been misappropriated by the 17th June, 1955. The certificate of the count of cash in chest recorded monthly by the Divisional Officer did not contain any indication of the prescribed reconciliation with the book balance.

Two cheques drawn in favour of contractors in December, 1954 and in June, 1955 were for amounts in excess of the amounts of their bills passed for payment, resulting in an overpayment of Rs. 397 which had been recovered on 23rd June, 1955.

The results of departmental investigation fixing responsibility for the loss and its regularisation were still awaited.

The Committee were informed that two persons (besides the Cashier who committed suicide) who were involved in this case had been arrested and that proceedings were going on in the court of law against them.

158. The Committee desired to know the remedial action taken to prevent recurrence of such cases and the representative of the C.P.W.D. assured the Committee that suitable instructions had been issued to this effect. The Committee desired to be furnished with a copy of the instructions issued. In regard to the progress of the departmental investigation, the Committee were informed that the Divisional Officer had been reduced by one stage in his pay scale and recovery of a sum of Rs. 8000 had also been ordered to be made from him in 15 monthly instalments of Rs. 200 each.

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*Appendix XI, Vol II

Para 24—Loss on the purchase of Medical Stores.

159. On the basis of an urgent indent from a Medical Stores Depot, the Supply Organisation placed on the 15th March, 1949 a contract with an unregistered firm for the supply of 4,200 lbs. of Zingibar Radix at a cost of Rs. 3,588 without prior approval of the competent authority. The delivery was to be completed by 31st March, 1949. The indentor, who was also the inspecting agency in this case did not complain till the 8th March, 1950 that the stores had not been received. The firm was there-upon given extension of time and eventually the contract was cancelled on the 6th July, 1950. The indentor was asked to make local purchase and proposal for re-purchase from another unregistered firm was sent on the 1st November, 1950 to the D.G.S. & D. for approval but the case was delayed in the latter's office for a year despite repeated reminders and in the meanwhile the offer expired. At this stage an *ex post facto* sanction to regularise the first contract was also accorded. A fresh indent was obtained, tenders were again invited and the purchase was effected on the 28th November, 1951. The extra cost involved in the purchase was Rs. 6,495 and on 30th December, 1951 the defaulting firm was asked to bear this extra cost. The matter was not pursued vigorously and subsequent enquiries made revealed that the firm had already closed down and the proprietor had died but his son was living and traceable. Government decided on 8th December 1953 to adjust the security deposit of Rs. 500 tendered by the firm and to waive the recovery of the balance of Rs. 5,995.

The D.G.S. & D. admitted that there could be no valid explanation for the delay that had occurred in this case.

160. The Chairman of the Committee observed that the case reported in the audit para, revealed unbusinesslike manner in which both the indentor and the Supply Organisation had acted resulting in three years delay and extra cost to Government in obtaining certain medical stores.

In reply to a query whether any remedial action had since been taken to avoid such delays, the D.G.S. & D. said that necessary remedial action had been taken and detailed briefly the action taken.

Para 25—Infructuous expenditure.

161. A building which was hired by a certain Government Department in 1942 for storage purposes, was vacated on the 23rd June, 1953 as surplus to requirement. It was not released by Government as the rent (Rs. 450 P.M.) was considered cheap and other Central Government offices had demanded for accommodation at the station. It could not, however, be utilised upto the 14th June, 1955 (nearly two years since it was vacated) except for 25 days during 1953 and January, 1954. The total rent paid for the vacant premises amounted to Rs. 10,035.

The Committee were assured that the premises were now being used by a Government office.

Para 26—Mis-appropriation of Government money by an auctioneering firm.

162. A certain auctioneering firm had been with-holding from Government the sale proceeds amounting to Rs. 12,56,604 in respect of auctions of surplus and obsolete stores conducted by it on behalf of Government between 1946 and 1947. The partners of the firm were prosecuted on a charge of criminal breach of trust. In June, 1954 the court acquitted one of the partners but sentenced the other to four years' rigorous imprisonment and a fine of Rs. 13,21,000 or in default a further sentence of 8 years' rigorous imprisonment. The partner who was convicted had appealed to the High Court and his appeal alongwith that preferred by Government against the acquittal of the other partner was reported to be pending.

Explaining the circumstances of the case, the representative of the Ministry of W.H. & S. said that the firm in question was one of the auctioneering firms which were functioning in the entire area of Bengal, Bihar, Orissa and Assam. In these areas this firm was conducting a large number of auctions of properties (It had auctioned during the period 12th February, 1946 to 27th February, 1946 Government stores to the value of Rs. 1½ crores). The value of the stores handled in the present case was quite collossal because the sum of Rs. 12 lakhs misappropriated was the result of nine days' default.

163. The C. & A.G. pointed out that under the standing orders prevalent at that time, the stockholder could deliver the goods to the purchaser only after the purchaser had deposited the entire cost into the Treasury and produced the treasury receipt in support. The stores in the present case had been released without obtaining the treasury receipts. The representative of the Ministry replied that in those days the auctioneer himself issued the release orders on receiving the money and apparently the orders in force were relaxed by the Officer concerned.

In reply to a qeustion whether the officer was competent to relax the rules, the Secretary, Ministry of W.H. & S. said that this matter had to be gone into as soon as the records which were now in Court became available.

Para 27—Loss due to non-acceptance of a more favourable offer.

164. A company had offered to supply 20,000 tons of steel billets to Government at a C. & F. rate with a freight variation clause, which at the then prevailing freight rate, would have amounted to $ 81.0852 per ton. The Government purchasing mission, anticipating that the deal would work out cheaper if the actual freight was arranged direct by Government obtained from the firm an alternate quotation on F.A.S. basis i.e., exclusive of the ocean freight element. With the addition of the prevailing freight rate, the offer would have meant an overall outlay of $80·9375 per ton. On the 20th February, 1953 the Mission recommended to Government the acceptance of this F.A.S. quotation. On the same day the Company offered by cable a

firm C. & F. rate of $ 80·6302 which was repeated on the 24th February, 1953. Although this offer was the cheapest, no specific recommendation for its acceptance was made by the Mission while intimating the repeat offer to Government on the 3rd March, 1953. Government also did not appear to have taken action thereon. The proposal to place the contract on F.A.S. basis was accepted by Government on the 12th March, 1953.

Attempts to obtain a cheaper freight rate did not, however, succeed and on the 4th May, 1953 Government approved the finalisation of the contract at a C. & F. rate of $ 81:59 per ton, which was higher than the firm price quoted by the Company on 20th February, 1953. Failure to take advantage of the latter offer involved Government in an avoidable extra expenditure of Rs. 91·409.

165. The Committe desired to know why the Supply Mission in intimating the lower offer on the 24th February, 1953 did not recommend for acceptance of the same and why Government having received directly the offer even though not specifically recommended by the Supply Mission, did not consider and accept it.

In reply to the first question, the Ministry of W.H. & S. informed the Committee that the Director, India Supply Mission has since explained that the second quotation was the same as the first because the first quotation of £ 35-12-6 per ton C.I.F. was in Australian currency plus other charges. In other words the first offer expressed in dollars was 80·63016 and the second was 80·6302.

The reason for the non-acceptance of the second offer was that the Director, India Supply Mission at that time thought it could be brought down, as on a previous occasion he had succeeded in bidding down the lowest quotation. But in the present case it had so happened that the freight rates had risen and so a higher price had to be paid.

Arising out of this, the Committee considered whether it would be advisable to vest the supply officers with the discretion to decide whether F.A.S. of C.I.F. quotations should be accepted in a case. Eventually it was agreed that the Ministry should conduct a view of the matter and submit a note* to the Committee.

166. The Committee then adjourned till 10.30 A.M. on Tuesday, the 9th October, 1956.

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Proceedings of the Tenth Sitting of the Public Accounts Committee held on Tuesday, the 9th October, 1956.

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167. The Committee sat from 10-30 Hours to 12-00 Hours.

PRESENT

Shri V. B. Gandhi.—*Chairman*

MEMBERS

2. Shri K. G. Deshmukh
3. Shri Kamal Kumar Basu
4. Shri Jaipal Singh
5. Shrimati Tarkeshwari Sinha
6. Shri Radhelal Vyas
7. Shri C. P. Matthen
8. Shri J. B. Kripalani
9. Shri G. Ranga
10. Shri R. M. Deshmukh
11. Shri Shyam Dhar Misra
12. Shri P. T. Leuva
13. Shri J. V. K. Vallabharao

Shri A. K. Chanda—*Comptroller & Auditor-General of India.*

Shri P. C. Padhi—*Additional Deputy Comptroller and Auditor-General.*

Shri P. N. Bhandari—*Director of Commercial Audit.*

Shri S. Venkataramanan—*Accountant General, Central Revenues.*

Shri S. C. Bhattacharya—*Chief Audit Officer, Food Rehabilitation & Supply.*

SECRETARIAT

Shri V. Subramanian—*Deputy Secretary.*

WITNESSES

Ministry of Works, Housing and Supply

Shri M. R. Sachdev—*I.C.S., Secretary.*

Shri K. S. Krishnaswamy—*Joint Secretary.*

Shri V. N. Rajan—*I.C.S., Director General of Supplies & Disposals.*

Shri J. M. Rijhwani—*I.S.E., Chief Engineer, C.P.W.D.*

Shri K. B. Rao—*Chief Controller of Printing and Stationery.*

Shri P. N. Krishnaswamy—*I.A. & A.S., Chief Pay & Accounts Officer.*

Ministry of Finance

Shri P. K. Basu—*Financial Advisor (I & W).*

Shri Shiv Naubh Singh—*Deputy Secretary.*

MINISTRY OF WORKS, HOUSING AND SUPPLY

Appropriation Accounts Civil, 1952-53, page 525—Grant No. 99 (Other Civil Works), Note 5.

168. In the voted section of this grant there was an excess of Rs. 2,33,14,376. Of this sub-head H-1 (i) accounted for an excess of Rs. 89 lakhs and the other sub-head H-3 (1) accounted for an excess of Rs. 182 lakhs. These excesses have been explained as due to more purchases of materials. The Committee desired to know why these purchases which had resulted in the excesses were made without obtaining supplementary grant.

The representative of the C.P.W.D. explained that these purchases were ordered with a view to build up stocks for supply to works, but they did not expect that these would be received during the financial year and hence did not provide for the necessary funds. However, their anticipation went wrong and the materials did arrive and had to be paid for.

The Chairman drew the attention of the representative of the Ministry to the earlier recommendations of the Committee that a close liaison between the Indenting Department and the Supplying Department be maintained and, if need be, it should be telegraphically ascertained towards the close of the year whether or not stores ordered for would be received during the financial year so that necessary funds might be provided for that purpose by supplementary grants.

Page 526—Grant No. 99, Note 9—Requisitioned House

169. In November, 1954 the Government requisitioned a House while under construction. The landlord had agreed to complete it if Government supplied the necessary materials. As the house could not be completed due to delay in the supply of the materials, it was released in October, 1955. The Government had to pay a compensation of Rs. 3,300 as per award of the High Court besides legal expenses of Rs. 850. The High Court in their judgement observed

"that somebody in the Department was not vigilant enough to complete the house." Government have explained that the very nature of the Secretariat procedure was responsible for the delay and no particular officer could be blamed.

The explanation of the Ministry was that delay was inevitable in the absence of delegation of sufficient powers to authorities at lower levels.

Page 529—*Grant No.* 99. *Stock account for* 1952-53, *Note* 4.

170. Quantity and value accounts of stock including review of balances and statement of profit or loss due to revaluation had not been completed upto-date in six divisions of the C.P.W.D. The representative of the C.P.W.D. explained that this related to 6 divisions whose quantity and value accounts had not been completed at that time. The latest position was that the accounts in relation to 4 divisions had been completed and communicated to Audit. The accounts of the fifth division had also been completed. Those relating to the sixth division are yet to be completed.

Pages 645-46, *Grant No.* 131—*Capital outlay on Buildings.*

171. Out of a grant of Rs. 10·5 crores a little less than Rs. 5·7 crores only could be spent. The reasons for the saving were explained as non-availability of site for buildings owing to delay in acquisition proceedings and want of administrative approval for the construction of buildings. It was also explained by the representative of the C.P.W.D. that although the grant had appeared under the Ministry of Works, Housing and Supply it related to all the Ministries and provision under that grant was made on the basis of the information given by those Ministries which were not realistic. The representative of the Finance Ministry, however, did not agree with the view of the administrative Ministry that these lapses were inherent in the procedure obtaining at present in the matter of budgeting.

Commercial Appendix to the Appropriation Accounts (Civil), 1952-53

Page 250, *para.* 285, *Government of India Stationery Office, Calcutta.*

172. The closing balances of stocks held on 31st March, 1953 in certain categories were very much in excess of the permissible limits. They exceeded even the limits prescribed in para 40 of the Departmental Committee's Report.

In a large number of cases fresh purchases were made although the opening stocks were sufficient to meet the demand in 1952-53. The result was huge accumulation of stock likely to last for several years. Purchases in large quantities were noticed to have been made during the year in certain cases in spite of the fact that there was no

appreciable demand for the articles. Instances came to notice where huge purchases were made although there was no issue of the same article during the year. These unnecessary and excessive purchases resulted in blocking up of capital.

173. The Chairman drew attention to one of the Committee's earlier Reports recommending the appointment of a small Committee to go into the question of over-provisioning of articles and referred to para. 135 of the 16th Report of the Committee calling for a copy of the Report of the Committee appointed by the Ministry to enquire into the circumstances of over-provisioning. The Committee were informed by the representative of the Ministry that the Report has since been received by Government and was under active examination. The Committee were unhappy to note that the Ministry should be taking such a long time to take action on the Report. The Ministry agreed to supply the Committee soon with copies of the Report and intimate also the action taken by the Government.

Pages 252-53, Losses due to long storage, and losses and writes off,

174. The Chief Controller of Printing and Stationery explained that this para. related actually to an old case. The paper which was lying in the dock had to be actually disposed of because it was received in a broken condition and the paper was lying there for a long time. This has since been disposed of and the Ministry's sanction obtained to the write off.

Paga 252, Para. 288 (b)—Loss due to long storage of duplicating inks

175. It was explained to the Committee that these duplicating inks were being used for marking gunny bags as they could not be used because of deterioration for purposes for which they were originally indented. They had, therefore, to buy fresh stocks of duplicating ink.

Page 260, Para. 299—Central Publication Branch.

176. The results of stock-taking of Army Publications and correction slips disclosed a large difference between the book balances and the actual physical balances. In the case of correction slips, the difference was huge inasmuch as the actual balance was shown to be worth Rs. 1,45,760 against the book balance of Rs. 10,77,280. The Committee desired to know the reasons for the delay in enquiring into these differences.

The Chief Controller of Printing and Stationery explained that this case related to periods dating back to 1928. Prior to 1952, there was no strict physical verification done and in the case of correction slips which were merely strips of paper, the so called verification was on the basis of weight, namely, so many per ounce. He also explained that the absence of relevant records from 1928 to 1952 was a great handicap in carrying out this work; and in fact they were

considering whether they should really go into this task at this distant date as the work and expenditure involved might not be commensurate with the results. A suggestion was made that a line should be drawn somewhere and arrears relating to the earlier period be written off.

177. After discussing certain general aspects arising out of the note by the Comptroller and Auditor General on the estimates and financial control (Appendix I to Audit Report (Civil), 1955, Part I), the Committee adjourned till 10-00 A.M. on the 10th October, 1956.

Proceedings of the Eleventh sitting of the Public Accounts Committee held on Wednesday, the 10th October, 1956.

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178. The Committee sat from 10-00 hours to 12-45 hours.

PRESENT

Shri V. B. Gandhi.—*Chairman.*

MEMBERS

2. Shri K. G. Deshmukh
3. Shri Diwan Chand Sharma
4. Shri Kamal Kumar Basu
5. Shri Jaipal Singh
6. Shrimati Tarkeshwari Sinha
7. Shri Tribhuan Narayan Singh
8. Shri Radhelal Vyas
9. Shri C. P. Matthen
10. Shri J. B. Kripalani
11. Shri G. Ranga
12. Shri R. M. Deshmukh
13. Shri Shyam Dhar Misra
14. Shri P. T. Leuva
15. Shri J. V. K. Vallabharao.

Shri A. K. Chanda—*Comptroller & Auditor-General of India.*

Shri P. C. Padhi—*Additional Deputy Comptroller and Auditor-General.*

Shri S. Venkataramanan—*Accountant General, Central Revenues.*

Shri S. C. Bhattacharya—*Chief Audit Officer, Food, Rehabilitation & Supply.*

SECRETARIAT

Shri V. Subramanian—*Deputy Secretary.*

WITNESSES

Ministry of Food & Agriculture

1. Shri P. N. Thapar—*I.C.S., Secretary.*
2. Shri C. A. Ramakrishnan—*I.C.S., Director General of Food.*
3. Shri M. Lal—*I.C.S., Joint Secretary.*
4. Shri Krishan Chand—*I.C.S., Joint Secretary.*
5. Shri R. L. Mehta—*I.A.S., Joint Secretary.*
6. Shri T. G. Puri—*I.C.S., Joint Secretary.*
7. Shri P. N. Krishnaswamy—*Chief Pay and Accounts Officer, Food, Rehabilitation and Supply.*
8. Shri J. V. A. Nehemiah—*Secretary, I.C.A.R.*
9. Shri M. L. Sinha—*Director of Accounts, Directorate General of Food.*
10. Shri T. Prasad—*Chief Director, Directorate of Sugar & Vanaspati.*

Ministry of Finance

11. Shri K. L. Ghei—*Joint Secretary.*
12. Shri Shiv Naubh Singh—*Deputy Secretary.*

MINISTRY OF FOOD AND AGRICULTURE, AUDIT REPORT (CIVIL) 1955—PART I

179. *Para.* 16—*Purchase of Rice.*—From January, 1950 the Government had been purchasing rice from a foreign country through the Indian Legation there against the quota allotted by the Government of that country. The cost of the rice was paid direct to that Government at the controlled rates notified by them and the handling agent was paid his actual expenses plus commission for placing the rice F.O.B. at port. During 1950 several offers were received by the Government from firms in India for the supply of rice from that country. All these trade offers were rejected and the firms were informed that Government were not interested in these offers as their requirements had been fully covered by the purchases on Government to Government account. One such offer received on 6th November, 1950 from a Bombay firm for the supply of 10,000 tons of broken white rice of A-1 Super quality at £38 per metric ton C.I.F. Indian port was, however, favourably considered by the Ministry and Government placed the order for 10,000 tons of rice on the Bombay firm in spite of the advice of the Legation to the contrary. Government also extended an unusual concession to the firm by opening an irrevocable letter of credit in their favour with the Imperial Bank of India.

Another firm offered on 30th October, 1950 to supply 30,000 tons of the same quality of rice at £36 per ton C.I.F. Indian Port. No

action was, however, taken on the letter till the 16th November, 1950. No reference was also made to this cheaper offer while considering the Bombay firm's offer on whom the contract was placed.

The failure to take notice of the cheaper offer of £36 per ton resulted in Government paying £20,000 or Rs. 2:67 lakhs extra on this purchase.

The Committee desired to know why the cheaper and earlier offer of £36 per ton C.I.F. made by a Madras firm and received by Government on 30th October, 1950 was not considered, when a subsequent offer received on the 6th November, from a Bombay firm at higher price of £38 per ton C.I.F. was accepted by Government promptly.

The Director-General of Food informed the Committee that besides these two firms, other firms had also offered to supply rice but the view was taken that most of the offers were not *bona-fide* and that, therefore, these offers were not considered further.

180. In reply to a query from the Chairman regarding the means Government had and the steps taken by them to ascertain the *bona fide* of the offers made by the Madras and Bombay firms, the Committee were informed that before Government could decide whether a particular offer could be accepted, they had to be in possession of details like the crop year to which the rice offered related, the nature of the principal, the financial status of the applicant etc. It was stated that the Madras firm which offered the lower quotation of £36 per ton did not give any of these details and though telegrams were sent to that firm for these particulars that firm did not reply to them, whereas the representative of the Bombay firm was personally present at Delhi for consultation. The Committee observed that the Regional Food Commission in Madras could have been asked to contact the firm and get the particulars.

In reply to the Committee's next question, whether in the light of the lower rate quoted by the Madras firm, the Bombay firm was asked to reduce its price, the representative of the Ministry said that the offer made by the latter firm had to be accepted or rejected within 24 hours and, therefore, a decision had to be taken within that time.

181. Intervening, the Secretary, Ministry of Food and Agriculture said that it was important to remember that there was very acute shortage of food at that time. Rice could not be had from anywhere. Government tried to get rice from Thailand and other countries on a Government to Government basis and then they allowed private parties to come up with offers. There was a rush of offers from private parties, some of them genuine and others not. Large number of offers were being received from various private parties by the Ministry at various levels and some of the offers did go up to the Minister on which he passed orders. His impression was that when the Minister passed orders agreeing to the purchase of 10,000 tons of

rice at £38 per ton from the Bombay firm, the cheaper offer of £36 per ton from the Madras firm was not before him. This offer of the Bombay firm, according to his impression, was considered independently of the Madras offer. The reason for not considering seriously of the offer of the Madras firm appeared to him to be that the firm had no ready stocks and it was not connected with any big party. Therefore the offer was taken as one of the many irresponsible offers which were coming into the Ministry.

Intervening the C. & A. G. informed the Committee that according to the information available with him, the Bombay firm's status was in no way different from that of the Madras firm as both were only agents and that, therefore, the contention that the Madras offer was not seriously considered because it was only an agent was not right.

182. The Committee could not appreciate the statement that the Madras offer was not put up to the Minister when he passed orders on the Bombay firm's offer. They desired to know why the lower offer from the Madras firm for the supply of rice at £36 per ton was ignored by Government when they decided to pay £38 to the Bombay firm.

The Secretary, Ministry of Food and Agriculture explained that in this particular case, since no tenders were called for, there was no occasion for all applications which had been received to be considered at the same time. The impression he got on going through the relevant file was that the two offers in question were being examined separately and while the application of the Bombay firm went upto the Minister, the earlier application of the Madras firm which quoted a lower price did not go up. He went on to say that it appeared from the record that detailed information from the Madras firm regarding crop year, and the quantity of rice came up only after the offer of the Bombay firm was accepted, and a contract was signed.

183. At this stage the C. & A. G. informed the Committee that from the Ministry's note dated the 1st November, 1950 recorded on the Madras offer of £36 per ton dated the 27th October, 1950, it transpired that no action was contemplated as import of rice was to take place on Government to Government basis.

There was also another note dated the 18th November (a fortnight later and after order had been placed on the Bombay firm) which read as follows:—

> "A fresh receipt since received from..... (Madras firm) has been added to the file. The firm is offering A-1 super broken rice from Thailand at a very attractive price of £36 per ton C.I.F. Our official price is higher by one pound. For the same quality of rice, we have agreed to pay £38 per ton to ..... (Bombay firm). So far as the price issue is concerned, we do not have any hitch. As per minute 77 we have not to obtain details

> of offer.....A draft telegram was put up. We are a bit late in replying to the firm. As the offer is very much attractive and we are awfully in need of rice it is for consideration whether we may not telegraphically ask the firm to furnish the details of the offer."

The Committee could not understand why when it was decided on 1st November, 1950 that no action was required on the Madras offer of 27th October, 1950, on 18th November, 1950 after the contract with the Bombay firm had been signed it was considered that the offer was attractive and Government might pursue further.

All that the Secretary, Ministry of Food and Agriculture could say was that it was to meet an emergent situation in the food position that the Bombay firm's offer was accepted and rate paid was comparable with the rates paid by Government for imported rice on Government account. In the critical situation then prevailing, Government were perhaps more concerned with getting the supplies quickly and had, therefore, to select a firm that could deliver the goods.

The representative of the Finance Ministry who was asked for his views said that the offer of the Madras firm was not considered along with that of Bombay and that the Ministry of Finance were not aware of the Madras firm's offer when the Bombay firm's offer was forwarded to them by the Food Ministry.

Before passing on to the next question, namely, that of opening a letter of credit in favour of the Bombay firm, the Committee were apprised of the following note recorded in the file of the Ministry on the 4th November, 1950 on the Madras firm's offer:

> "With the reduction of price from £39 per ton C.I.F. to— 36 per ton, the offer of 15,000 to 30,000 tons of A-1 super rice from Siam has become attractive. The original offer is at pages .... It is for consideration whether we may call for a detailed offer or even call for the party for negotiation provided the stocks offered by them are still available. But before this is done we may perhaps obtain the reaction of the Siamese Government through our Legation at Bangkok."

No action was taken on this note. In the meantime the earlier offer from the Bombay firm was accepted.

In regard to the opening of the letter of credit in favour of the firm, the representative of the Ministry informed the Committee that this was not without precedent. The Ministry of Finance were, however, not consulted prior to the issue of the sanction. The sanction went to the Finance Ministry for being forwarded to Audit and since the contract had already been entered into they did not raise any objection at that stage but forwarded the letter to Audit with the observation that the Administrative Ministry "were responsible and answerable to any consequential trouble if and when they arise out of their contracts".

Para. 17, Construction of Tube-wells in certain States.

184. Early in 1948, the Government of India invited an American Firm to investigate into the availability of subsoil water in the Indo-Gangetic Plain with a view to constructing tube-wells in that area. As a result of their survey, a programme for the construction of 4,565 tube-wells was drawn up by the Ministry in consultation with the State Governments. The old scheme was based on the presumption that a loan would be available from the International Bank. The Bank, however, pointed out that no precise cost estimate had been prepared, that a sufficiently detailed examination had not been made of the underground water resources of the areas concerned and that further investigation was necessary before the loan could be granted. Therefore, the Government of India did not pursue the matter further with the Bank and made efforts to get a suitable firm from the Sterling Area to undertake the work.

In August, 1949, an Electrical Engineering firm offered to bore a large number of tube-wells in the plain with the help of their associate firms in India, and the offffer was accepted in the beginning of March, 1950. It was decided that each State should in view of its own peculiar problems negotiate its contract with the firm, but within the frame-work to be prepared by Government of India to maintain uniformity. The High Commissioner who was consulted by the States gave a good report about the performances and experience of the associates of this firm. Contracts for the sinking of 964 tube-wells in three States were finalised in December, 1950. 908 tube-wells were completed upto September, 1954.

185. The special feature in the contracts, and the irregularities in the execution of the work which were commonly noticed in the contracts with all the States were:—

(a) the contracts relating to expenditure in India were based on cost *plus* profit;

(b) there was absence of fair competition;

(c) advances amounting to Rs. 47·8 lakhs were paid free of interest; and

(d) there was delay in the execution of the work and the due date for completion was not observed.

Since the work related to the States, the Committee desired to know why the Central Government considered it necessary to step in and offer a kind of unalterable frame-work within which the States should operate. It was explained that the period 1948-52 was a period of acute food shortage and the Food Production Commissioner who was appointed to step up food production considered that among the measures necessary to step up food production was the sinking of tube-wells in States where underground water was available. The Food Production Commissioner took the initiative

in the matter as it was thought that the State Governments would not be in a position to initiate action and do what could be done by the Centre.

186. In reply to a question whether open tenders were invited for the work, it was stated that no tenders were called for. The question of the firm of the U.S.A. who had made a survey with a view to constructing tube-wells appeared very high and in the meantime the Agricultural Commissioner of the Government of India who had gone abroad to America, England and other places was asked to contact some reputed firms who would take interest in the scheme

In view of the fact that the contractors had not been able to complete the work in time and that extension of the period had to be given, not once but repeatedly and that the penalty clause had to be waived possibly because the officers in charge of the work felt convinced that the difficulties experienced were genuine and unforeseen, it appeared that a more detailed survey as suggested by the World Bank should have been undertaken before the contracts were given to the firm.

The representative of the Ministry of Food and Agriculture said that as the three State Governments on their own initiative were sinking tube-wells and the pressure of underground water had already been confirmed it was thought unnecessary to delay matters further by undertaking any further detailed investigation, especially when there was an urgent need to augment food production.

The Committee were surprised to learn from the representative of the Ministry of Food and Agriculture that the paid up capital of the firm on whom the contract was placed was only £100.

It was also explained that all that the Central Government did was to bring the party in contact with the State Governments and it was left to the State Governments to negotiate appropriate terms with the firm.

187. One of the members of the Committee observed that certain terms of the contract entered into with the firm were rather unusual and differed from other contracts. Since these have given rise to certain disputes (apparently between State Governments and the firm) in U.P., Bihar, Punjab and Pepsu, he desired that the Committee should be apprised of the full details of the contract and the implication. The representative of the Ministry agreed to furnish the required information.

At this point the Secretary, Ministry of Food and Agriculture raised a point and asked for a ruling. He said that in many cases the State Governments who were spending their own moneys sometimes asked the Centre for advice. He wanted to know whether merely because the Centre tendered advice, it became answerable to Parliament for all the details of the scheme on which they tendered advice.

The C. & A. G. explained that the Secretary, Ministry of Food and Agriculture was right. When a contract was executed in the State field it was the responsibility of the State Government who were answerable to the State Legislature and the State P.A.C. He, however, observed that in this particular case there was a difference. The State Governments were asked to work within the frame-work of a certain contract and the frame-work of the contract had been responsible for the subsequent lapses in the State field.

The Ministry's representative explained that the frame work of the contract was drawn up after consultation with the representatives of the State Governments and was meant only to be model. They were not bound to accept it.

APPROPRIATION ACCOUNTS (CIVIL)—1952-53

Page 247—*Grant No.* 47—*Agriculture—Note* 1.

188. The actual expenditure fell short of the total grant by Rs. 95 lakhs or over 30 per cent. The principal reason for the savings is that substantial provision was made for schemes before they were sanctioned or even estimated.

Page 263—*Grant No.* 48—*Veterinary Service—Notes* 1 & 3.

189. The entire supplementary Grant of Rs. 1,13,000 voted by Parliament in December, 1952 proved excessive. The final saving was Rs. 3,59,223. The Committee observed that apart from standing charges of the Department very little was spent from out of the provision made for schemes for veterinary research.

Page 271—*Government Research Creamery at Anand*

190. In a note submitted to the previous Committee the Ministry had stated that the sub-lease with a particular company, had been extended upto 31st March, 1956 and that the property would be disposed of through the D.G. S. & D. after that date. In reply to a query the Committee were informed that the property had been taken over by the National Dairy Research Institute from the 1st April, 1956.

Page 613—*Grant No.* 118—*Capital Outlay—Note* 2

191. Against the original provision of over Rs. 21 crores for the scheme for purchase of Fertilizers only about Rs. 8½ crores were spent. In the Committee's opinion this was an instance of a tendency to over-estimate.

Commercial Appendix to the Appropriation Accounts (Civil), 1952-53

Pages 150—155

Paras. 160—169.

192. *Forest Department, Andaman.*—Audit had reported that as in previous years, the profit had been worked out without taking into account the element of royalty. The Committee observed that it

was necessary that the amount of royalty should be determined and taken into account for the purpose of ascertaining the true financial results of the working of the Department.

The representative of the Ministry informed the Committee that the matter had been taken up with the Chief Commissioner who had since reported that the question had been examined in consultation with Audit and was dropped for want of reliable data. The A.G., C.R. had been apprised of the position and his comments were awaited.

193. The Committee were given to understand that the maximum stock limit for stores had since been fixed at Rs. 10 lakhs.

Para. 171

194. *Sundry Debtors.*—Outstanding amount against Sundry Debtors increased from Rs. 9,82,824 to Rs. 10 38,915 during 1952-53. This sum included Rs. 4,31,751 due from a single company. In accordance with the Agreement, the Company should have paid all bills within 30 days from the date of receipt failing which interest at 12½ per cent. must be charged.

The representative of the Ministry of Food and Agriculture informed the Committee that the Chief Commissioner had taken rigorous steps to recover the arrears from the sundry debtors. The extent of sundry debtors was dependent on credit sales. Due to heavy slump in the timber trade in Calcutta, the plywood manufacturers were encouraged to purchase timber on credit against their security deposits with Government, with a view to obviate heavy congestion of logs in the Calcutta depot. It was hoped that with the improvement, in the market, the outstanding balances would be reduced. Arrears due from that company had since been recovered.

With regard to the interest to be charged on the arrears due from the Company, the Committee were informed that the recovery of interest for delay in payment had already been made to the extent of Rs. 21,842/10/-. The Chief Commissioner, Andamans thought that it was not mandatory to charge interest unless the firm delayed payment without sufficient justification. This question was reported to be under consideration of Government.

Page 156—*Para.* 172—*Loss of Parts of Dodge Trucks*

195. Three Dodge trucks of the Forest Department became unserviceable and sanction of Government to their write off was applied for in March, 1953. In the mean time all the important parts of the trucks except the chassis were pilfered.

The Committee were informed that the C.C., Andamans had carried out necessary investigation in this regard. The finding was that there was no pilferage. The important parts of the unserviceable trucks in question were removed by the Department itself and used in another Government truck which was in a running condition. The Government of India had also since sanctioned the write off of these unserviceable trucks.

Central Tractor Organisation.

Page 169—*Para* 191, *Loss in operation by New Units*

196. In regard to the high cost of the C.T.O. operation, the Committee were told that steps had been taken to see that in future the overheads were not high. Firstly, instead of having two workshops, Government had now only one workshop. The Bairagarh workshop had been amalgamated with the Delhi workshop resulting in reduction of overheads. Secondly, drastic economies had been carried out in the staff. Economy effected was in the neighbourhood of Rs. 4 lakhs a year. Further economies to be effected were also under consideration.

In reply to a query whether the revised costs would work out to the figure of recovery which the C.T.O. was making from State Governments, the Committee were informed that it would not be so. It will still be higher and there will be an element of subsidy but not to the present extent. The cost to be recovered from State Governments had now been considerably reduced from Rs. 55 per acre to Rs. 35 per acre, of which Rs. 5 was being paid by the State Governments and Rs. 30 by cultivators.

In reply to another query as to how the figure of Rs. 35 per acre was arrived at, the representative of the Ministry said the rate was fixed with reference to the price of food stuffs prevailing at that time and that the food prices were low at that time.

The representative of the Ministry agreed to supply the Committee with a comprehensive note on the various new arrangements that had been made for bringing down the cost of operation, maintenance, etc.

Page 169, *Para.* 192—*Heavy cost of repairs of tractors and vehicles*

197. The Committee desired to know why the actual cost of repairs was so high. The overheads stood at the extraordinary figure of 547 per cent. of direct labour costs in the Delhi shop and at 903 per cent. in the Bairagarh shop.

In extenuation, the representative of the Ministry explained that although they had made some reductions in the cost, in the meantime the machines had deteriorated which necessarily resulted in higher cost. It was also explained that the amalgamation of the two workshops would go a long way to reduce the cost of the repairs. Further they had renewal reserve balance of Rs. 1,16,19,251 on 31st March, 1953, in addition to depreciation, so that the cost could be evenly distributed over a period of years.

Page 184—*Para.* 203—*Reserve of Fertilizers*

198. In the Profit and Loss Account, a sum of Rs. 5 lakhs representing anticipated recovery from a firm was credited to the accounts for the year 1951-52. This claim as well as certain other

counter-claims of the firm were referred to the Arbitrators who awarded a net sum of Rs. 5,44,011 to be paid by Government to the firm. In view of this, the net profit of Rs. 4,44,627 shown by the Profit and Loss Account could not be said to be the true working result.

After some discussion, the representative of the Ministry promised to send a note* to the Committee explaining in detail the facts of the case together with the Arbitration proceedings.

The Committee were surprised to learn that the claims of the Company were not taken into account while preparing the profit and loss account, as the case was referred to arbitration. They felt that there should be a device to show such liabilities too in the Accounts. The C. & A.G. on his part agreed to review the accounting arrangements for commercial enterprises.

199. The Committee then adjourned till 11 A.M. on the 11th October, 1956.

*Appendix IX, Vol. II.

Proceedings of the Twelfth Sitting of the Public Accounts Committee held on Thursday, the 11th October, 1956

200. The Committee sat from 11-00 hours to 12-00 hours.

PRESENT

Shri V. B. Gandhi—*Chairman.*

MEMBERS

2. Shri K. G. Deshmukh
3. Shri Diwan Chand Sharma
4. Shri Jaipal Singh
5. Shrimati Tarkeshwari Sinha
6. Shri Radhelal Vyas
7. Shri J. B. Kripalani
8. Shri G. Ranga
9. Shri R. M. Deshmukh
10. Shri Shyam Dhar Misra
11. Shri J. V. K. Vallabharao.

Shri A. K. Chanda, *Comptroller and Auditor-General of India.*

Shri P. C. Padhi, *Addl. Dy. Comptroller and Auditor-General.*

Shri S. Vengataramanan, *Accountant General, Central Revenues.*

Shri S. C. Bhattacharya, *Chief Audit Officer, Food, Rehabilitation and Supply.*

SECRETARIAT

Shri V. Subramanian—*Deputy Secretary.*

201. The Committee took up consideration of the Notes/Memoranda submitted by the Ministries regarding excesses over voted Grants and charged appropriations as reported in paras. 10 and 11 of the Audit Report (Civil), 1954—Part II.

Before taking up the specific cases of excesses, the C. & A.G. explained the present procedure adopted in India with regard to the regularisation of such excesses. In this connection, he also referred to the direction of the Speaker in the Thirteenth Session of Lok

Sabha (July—September, 1956), when Government approached the Parliament for regularising excesses relating to 1951-52, that a revised procedure for the expeditious regularisation of such excesses should be evolved. He suggested that the procedure followed in the U.K. in this regard might well be adopted in India also. According to that procedure, the P.A.C. considered the cases of excesses in advance of the rest of the Appropriation Accounts and Audit Report and submitted a separate report to Parliament containing their recommendations on the excesses ahead of the Report on the main Appropriation Accounts and Audit Report. It was agreed that as soon as excesses in the accounts relating to a year which had just closed came to notice, the C. & A.G. would report these excesses to Parliament in the prescribed manner. The C. & A.G. added that this procedure might be necessary only until such time as the work relating to Appropriation Accounts and Audit Report became current in his Department. The Public Accounts Committee would immediately examine with reference to the facts of each case, the circumstances leading to the excesses and present a report to Parliament making their recommendations on these excesses. Thereafter, Government should proceed to take necessary action to have the excesses regularised by Parliament as laid down in Article 115 of the Constitution.

Accordingly it was decided that a separate Report should be presented to Parliament by the Committee during the next session relating to the excesses in the Appropriation Accounts for 1952-53 (already placed before Parliament) ahead of the main Report so that Government could proceed to take necessary action to get the excesses regularised.

The Committee then proceeded with the examination of the notes submitted by the various Ministries and, subject to the following observations, decided to recommend that the excesses reported in paras. 10 and 11 of Audit Report (Civil), 1954, Part II be regularised by Parliament in the manner prescribed in Article 115 of the Constitution.

Grant No. 39: Miscellaneous adjustments between the Union and State Governments

202. The Committee felt that with the adoption of the suggestion that in future payments to State Governments should be restricted to the amount provided for in the revised estimates of the year subject to readjustment on the basis of actuals in the following year would prevent such excesses in future years.

Grant No. 99: Civil Works

203. The Committee were not satisfied with the explanation that the excesses could not be anticipated and the necessary provision made by a supplementary grant. The Committee desired to draw the attention of Government and of the Ministry of Works, Housing

and Supply in particular to their earlier recommendation that a close liaison should be maintained between the indenting and the supplying departments in regard to receipt during the financial year of supplies indented for and necessary provision made in time to meet the cost of stores that were received or expected to be received during the financial year.

Grant No. 118: *relating to capital outlay of the Ministry of Food and Agriculture*

204. A provision of Rs. 21 lakhs towards the payment of interest charges was erroneously made under "voted" whereas the provision should have been correctly made in the "charged" section. This mistake was detected too late to make provision by a supplementary appropriation and so, the excess had to be left uncovered. The provision of Rs. 21 lakhs erroneously made under voted items, was however, not surrendered but re-appropriated for other purposes. This was wrong in principle and was illustration of a case of very bad budgeting.

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Proceedings of the Thirteenth sitting of the Public Accounts Committee held on Tuesday, the 6th November, 1956

205. The Committee sat from 10-00 hours to 13-00 hours.

PRESENT

Shri V. B. Gandhi—*Chairman.*

MEMBERS

2. Shri C. D. Pande.
3. Shri Kamal Kumar Basu.
4. Shri Tribhuvan Narayan Singh.
5. Shri Radhelal Vyas.
6. Shri C. P. Matthen.
7. Shri R. M. Deshmukh.
8. Shri Shyam Dhar Misra.
9. Shri P. T. Leuva.

Shri A. K. Chanda, *Comptroller and Auditor-General of India.*

Shri P. C. Padhi, *Additional Deputy Comptroller and Auditor-General.*

Shri S. Venkataramanan, *Accountant General, Central Revenues.*

SECRETARIAT

Shri V. Subramanian—*Deputy Secretary.*

WITNESSES

Ministry of External Affairs

Shri B. N. Chakravarty, *Special Secretary Incharge Administration.*

Shri B. K. Acharya, *Joint Secretary.*

Ministry of Finance

Shri M. S. Bhatnagar, *Financial Adviser.*

Shri Raj Kumar, *Deputy Financial Adviser.*

Shri Shiv Naubh Singh, *Deputy Secretary, Economic Affairs Department.*

MINISTRY OF EXTERNAL AFFAIRS

Audit Report (Civil), 1955—Part I.

206. Before taking up the examination of the irregularities reported individually, the Chairman enquired whether the Secretary in the Ministry would like to make a general statement in respect of the cases referred to in the Audit Report. The Special Secretary-incharge Administration in the Ministry of External Affairs stated that until 1947, the Foreign Affairs Ministry had no Independent existence and that the Government's foreign relations were governed by the Government in the United Kingdom. It was only after Independence that new missions were opened abroad. There were then only two officers trained in diplomatic work and Government had to take in persons from all walks of life to man the posts. These new officers knew very little of Government financial rules and procedure, nor were they given any preliminary training before appointment to the posts. Moreover, it was only in 1949 that a common accounting procedure was evolved by the Ministry. Most of the procedural irregularities were, therefore, attributable to ignorance of the rules rather than wilful extravagance on the part of the officers. As for cases of currency manipulations cited in the Audit Report, the unstable condition of the currency in some countries was the main contributory cause. The Secretary requested that the Committee should bear in mind this background while examining the cases. He hoped that in that perspective, the irregularities would not appear so serious to the Committee as they apparently would. Intervening, the C. & A.G. pointed out that the plea of ignorance of financial rules might to some extent be justified in the case of direct recruits, but it would not be tenable in the case of service officers who actually were responsible for the bulk of the irregularities mentioned in the Audit Report. The Committee felt that judging from the nature of the irregularities, they could have been avoided if ordinary canons of financial propriety had been kept in mind by the officers concerned. The Secretary added that Government had since started a course for training direct recruits in financial matters and he visualised that such irregularities would not occur in future. The Committee while appreciating the difficult conditions portrayed by the Secretary of the Ministry of External Affairs, felt that where it had been established that the officers had shown lack of proper responsibility, deterrent disciplinary action should be taken against them. The Government spokesman accepted this.

Para 6 of the Report—Infructuous expenditure on lease of building

207. The facts of the case as reported in the Audit para were as follows: In January, 1949 the Ministry wanted to establish a mission in a country and to accredit a High Commissioner additionally as Ambassador to that country. But, the Standing Finance Committee in a meeting held in October, 1949 did not agree to the proposal, but recommended that the expenditure on the new mission

should be confined only to the travelling expenses of the High Commissioner for paying occasional visits to that country. In May, 1950, however, on a representation from the High Commissioner, the Government sanctioned the proposal for renting an accommodation at an annual rent of Rs. 12,000 plus Rs. 3,333 for fittings. A sum of Rs. 40,000 on repairs and furniture was also sanctioned in August, 1950. But the negotiations for the leasing of the building fell through, and another residential building was taken on lease for 15 years at an annual rent of Rs. 9,800 against the earlier sanction and without any further reference to Government. The premises have all through remained unoccupied. It has been estimated in October, 1954 that the expenditure on repairs, upkeep and furnishing would amount to above Rs. 60,000. Meanwhile an expenditure of Rs. 16,067 upto 31st March, 1955 on account of hotel accommodation had been incurred by the High Commissioner during his periodical visits to that country. The conditions of the lease do not permit sub-letting. Government is thus saddled with a recurring liability at the rate of Rs. 9,800 per annum for the next 10½ years in addition to rates, taxes etc. and also on repairs for returning the building in a reasonable state of repairs at the end of the lease.

The Committee desired to know the reasons for taking the building on lease in what seemed to be a hasty manner inasmuch as it remained unoccupied for a long period thereafter. The Government spokesman stated that Government wanted to establish diplomatic relations with the country in view of the Government of India's special relations with that country rather than on the volume of work to be carried out there. The matter became urgent as the foreign Government had found the house for the Government of India and suggested to the latter to take it. Sanction for the lease of the building was, therefore, issued, but on account of shortage of suitable personnel, the mission could not be established. The lease building remained unoccupied so long. Although the house was in good condition at the time of leasing, it has fallen into a state of dis-repair as it was kept vacant for a long time. Until the staff to be posted in the country was selected, the Secretary added that it was not proposed to incur any expenditure on repairs. Therefore, accommodation charges of the High Commissioner in Hotels were unavoidable in the circumstances. In reply to an observation from the Auditor-General that there was no justification for taking the house on lease before arrangements for staffing the mission were complete, it was stated on behalf of the Government that there was financial stringency too, in 1949-50 which stood in the way of recruitment of the additional staff.

The Committee then wanted to know the reasons why Standing Finance Committee was not approached in May, 1950 when the Committee had earlier disagreed with the proposal for opening the Embassy in 1949. The Secretary replied that the sanction in May, 1950 was accorded at the Cabinet level, but as regards the reasons for not getting the prior approval of the Standing Finance Committee, as usual, he would furnish the information on the following day.

Next, the Committee wanted to know how the earlier sanction for taking a building was utilised for leasing another building on a subsequent occasion without prior concurrence of Government. The representative of the Government observed that negotiations for leasing the building originally proposed had fallen through, because of the refusal of the owner to carry out the necessary repairs and the High Commissioner had thought that there could perhaps be no objection in taking the latter building on lease at a lesser annual rent of Rs. 9,800 which was advantageous to Government though the lease was for 15 years.

The Committee then enquired whether in view of there being no likelihood of the building being occupied for some more years, any attempts were made by the Government to terminate the lease. In reply, it was stated that the Government hoped to have a mission in that country in a year or two and hence it was not desirable to terminate the lease now.

Para. 7 of the Audit Report—Hospitality Fund of the External Affairs Ministry

208. The hospitality fund is, primarily, intended to meet the cost of official entertainment of distinguished foreign visitors, missions and delegations etc. The scope of the fund was extended in June, 1954 to cover personal level parties given by officers serving at headquarters in two particular Ministries, although officers in some other Ministries, who also had somewhat similar personal obligations arising out of their official position and responsibilities, were not allowed similar facilities. In some instances, the number of the parties and their purpose suggested that greater control should be exercised in their organisation. A feminist leader was entertained at the cost of the Fund by a non-official at her residence in addition to an official party. There was overlapping of parties too. Some foreign students were entertained by an Under Secretary, also by Joint Secretary and twice by the Parliamentary Secretary. A retiring diplomat was given two farewell parties out of the Fund. A visiting State guest was entertained by a Joint Secretary at a party of 21 members at a cost of Rs. 1,037. Although the Hyderabad House was taken over and suitably furnished for the purpose of official entertainments yet majority of parties were held at the residence of officials. The charges paid per head for a party varied widely from Rs. 9 to Rs. 50 in the case of a dinner party. This suggested the imposition of ceilings on such parties. It was also pointed out in the Audit Report, that though under the rules sanction of Finance was necessary for expenditure exceeding Rs. 1,000 in computing the limit of Rs. 1,000, the cost of wines etc. supplied from stock was excluded.

At the instance of the Committee, the Secretary gave some general information about the points involved. He stated that the personnal level entertainments were allowed only for those officers who had the largest contact with the foreign Missions. Only

officers of the two Ministries, External Affairs and the Commerce and Industry Ministries came under this Category. Other Ministries might, if necessary, be allowed such expenditure, from their own contingent grants. As for personal entertainments a sum of Rs. 10,000 only per year was allotted out of the Fund. He added that orders tightening up the procedure in regard to entertainments out of the Hospitality Fund had since been issued. For example, ceilings on expenditure on entertainments have been fixed which were being examined by Finance. It has also been laid down that no entertainment should be arranged at private houses, no liquor should be served at Government expenditure at official parties; invitations should be issued by a Government officer only by his official designation and not in his personal name.

As regards the disparity in the expenditure on such entertainments it was stated by the Government spokesman that each case was considered on its merits by the Foreign Secretary whose prior orders were necessary in regard to the scale of entertainments. As for the party to the feminist leader, he observed that after the official party was over, the leader had expressed a desire to meet non-official feminist workers in Delhi; a hostess was, therefore, persuaded to arrange a private party at Government expense.

The representative of the Ministry also explained the circumstances in which expenditure of Rs. 1037 had to be incurred on the special party.

The Committee were assured that the new rules since framed were sufficiently tight to admit of no such irregularities in future.

Para. 8 (*a*) *Advances for the purchase of Motor Cars*

209. This para. disclosed a case in which an officer had drawn advances for the purchase of Motor cars three times within a period of 4 years. The Secretary in the External Affairs Ministry stated that in the light of certain additional information now available the case was under investigation. He promised to furnish a detailed report* to the Committee. In view of this, the Committee decided to postpone consideration of this case.

Para. 8 (*b*) *Substitution of a Silver Fruit Set by an inferior set*

210. It was reported in this para. that a silver fruit set of 12 pieces purchased by an Indian Embassy in April, 1951 for the Ambassador's use was replaced by another inferior set. The set having shown signs of deterioration by September, 1952, the matter was referred to the supplier who disowned having supplied it. After an exchange of correspondence, the Ambassador stated that it was through inadvertence that the set in the Embassy was replaced by his own set. Attention has been drawn in the report to the fact that although Government had issued instructions on 29th June, 1950 that Government property should bear indelible distinctive

*Appendix IV, Vol. II.

marks so as to render inadvertent or fradulant substitution impossible, no action was taken in the matter, resulting in such mistakes remaining unnoticed for a long time.

The Government representative stated that the incident had occurred through inadvertance. As regards the distinctive marking on Government articles, he observed that in the case of crockeries and cutleries it could be done only at the stage of manufacture. Getting such articles marked thereafter would spoil their appearance. He also stated that the whole procedure of making purchases had now been laid down, and markings were invariably done in new purchases. Moreover sufficient details were shown in stock registers too, so that even where markings were not present, there was little likelihood of the mistakes of the type referred to in the para.

Para. 8 (*c*) *Currency Manipulation*

211. According to this para. while introducing currency reforms on a certain date, a foreign Government had permitted the Embassies situated in that country to convert the official balance on the preceding day at a favourable rate of exchange as against the legal rate. But the amounts converted by the Indian Embassy included a fairly large sum of money belonging to private individuals. Moreover the Embassy had a balance of 42,020,80 units out of which only 32,876,80 units were shown as converted at the privileged rate and the balance of 9,144 units as subsequently converted at the Public rate, thus resulting in comparative loss to Government. The explanation given by the Embassy was that a part of the balance was kept in the form of coupons, which entitled the Embassy to buy from certain shops at concessional price and that under the scheme of currency reforms, such coupons were eligible for conversion only at the ordinary rate. According to the Audit Report, these coupons were not shown separately in the accounts of the Embassy.

The Government spokesman stated that the coupons were intended for use only in particular shops where things were sold at cheaper rates for diplomatic staff and the existence of these cupons was actually shown in the Cash Book of the Embassy. He had sent for the records and would produce them to the Comptroller and Auditor-General. The latter agreed to verify this through his local inspection staff.

As regards the conversion at privileged rate of the currency balances of individuals, it was explained that the feature was not peculiar to the Indian Mission only.

212. The Committee adjourned to meet again at 10 A.M. on Wednesday, the 7th November, 1956.

Proceedings of the Fourteenth sitting of Public Accounts Committee held on Wednesday, the 7th November, 1956.

215. The Committee sat from 10.00 to 13.13 hours.

PRESENT

Shri V. B. Gandhi—*Chairman.*

MEMBERS

2. Shri C. D. Pandey
3. Shri Kamal Kumar Basu
4. Shri Radhelal Vyas
5. Shri C. P. Matthen
6. Shri R. M. Deshmukh
7. Shri Shyam Dhar Misra
8. Shri P. T. Leuva
9. Shri B. C. Ghose.

Shri A. K. Chanda, *Comptroller and Auditor-General.*

Shri P. C. Padhi, *Addl. Deputy Comptroller and Auditor-General of India.*

Shri S. Venkataramanan, Accountant General, Central Revenues.

SECRETARIAT

Shri V. Subramanian—*Deputy Secretary.*

WITNESSES

Ministry of External Affairs

Shri S. Dutt, *Foreign Secretary* (12.00 to 12.45 hrs.)

Shri B. N. Chakravarty, *Special Secretary incharge Administration.*

Shri B. K. Acharya, *Joint Secretary.*

Shri P. N. Mathur, *Under Secretary.*

Ministry of Finance

Shri M. S. Bhatnagar, *Joint Secretary.*

Shri Raj Kumar, *Deputy Secretary.*

Shri Shiv Naubh Singh, *Deputy Secretary.*

214. Before the Committee resumed the examination of the irregularities pointed out in the Audit Report, the Auditor-General stated for the information of the Committee that an expenditure of Rs. 18,666/- was incurred in 1956 on repairs of the building of the Mission referred to in para. 6 of the Audit Report. As presumably the expenditure was incurred with the sanction of the Ministry, he remarked that the information should have been given to the Committee by the Secretary on the day before when the para. was being discussed. The Secretary pleaded that as the sanction for repairs referred to in the audit para pertained to the year 1954, he had given information about repair charges pertaining to that year only. The repairs carried out in 1956 were urgent and absolutely necessary as advised by the Engineers. The Government did not propose to spend a large sum on repairs to the building until the staff could be found out for the Mission and if it were to take a long time, he would examine the question of surrendering the building. The Committee desired that upto-date information regarding a case should always be placed before them.

As regards the information which the Secretary promised to furnish to the Committee (*vide* para. 6 of the Audit Report) it was observed that according to the rules, a proposal was referred to the Standing Finance Committee only if the Finance Ministry had previously agreed to it. As this proposal was not concurred in by the Finance Ministry, it was argued that there was no need to send it to the Standing Finance Committee. The Committee, however, could not accept this view.

The Special Secretary then informed the Committee that in respect of the case referred to in para 8 (c) of the report which was discussed on 6th November, 1956 he had received the cash books from the Embassy and had passed them on to Audit for examination. The books, it was stated, did show that part of the Embassy's balance was held in the form of coupons.

The Committee then proceeded to examine para 9 and subsequent paras of the Report.

Para. 9 of the Report—Loss sustained by an Embassy on a change of Currency Law in a Foreign country

215. A certain foreign Government had announced on 14th December, 1947 a monetary reform with effect from 16th December, 1947 whereby the old money ceased to be legal tender and had to be exchanged for the new currency at the rate of 1 new unit for 10 old units. In the case of diplomatic corps, the privileged rate of coin for coin was allowed to the extent of their monthly average drawings. But on the 15th December, 1947 the staff of the Indian Mission deposited their private accumulation of 15475 units with the Embassy. The amount was partially utilised towards meeting Government obligations on the same day and the unutilised balance

was coverted at the rate of 1 new unit for 10 old units. The staff we reimbursed at the favourable rate of coin for coin, thus resulting in a loss of about Rs. 2585/- to Government.

The Comptroller and Auditor-General stated that he had since been informed by the Special Secretary that the private accumulations referred to in the Audit para were not savings but represented actually half a month's pay of the staff. The Government did not suffer any loss as pointed out in the Report. The Committee did not, therefore, pursue the question further.

216, *Para,* 10, *Important irregularities in cash accounts in a certain Embassy*

(a) Unauthorised use of Government cash for private purposes:

It was stated in the audit para that between January and March, 1949, very heavy amounts were drawn by the Minister from the bank as personal advances for himself and the staff without Government's sanction. The amounts were refunded in March, 1949, but these transactions were neither entered in the cash accounts, nor shown in the monthly accounts sent to Audit with the result that they could not be detected earlier. It was explained that the failure to show these transactions in the accounts was due to the inexperience of the staff in accounting matters. The Special Secretary informed the Committee that during the period of January and February, 1949 no regular officer could be posted as First Secretary and head of the Treasury in the Embassy. A local Indian was appointed temporarily as Treasurer-Secretary. Due to his ignorance of the financial rules, these irregularities had occurred. He added that the amounts had been refunded back to Government.

The Committee pointed out that as the Minister-in-charge who had drawn the unauthoriesd advances was a civil servant with long service to his credit, the entire blame for the irregularity could not be thrown on the First Secretary alone. The Minister, who was an experienced officer, should have been careful enough and should have guided the First Secretary in the matter. The explanation that the amounts were refunded to Government and that there had been no loss to them was not quite relevant and would not in any way mitigate the seriousness of the irregularity. Disregard of financial rules in such a manner constituted a serious offence requiring suitable disciplinary action against the delinquent officer. The Committee, therefore, asked the Special Secretary to examine the case anew in the light of the discussion held and to inform them of the action proposed tobe taken in the matter.*

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*Appendix V, Vol. II.

217. *Para* 10 (b).—In this para it was reported that the Officers of the same Mission had purchased wines and cigarettes from Government funds during the period from March, 1949 to May, 1951 for personal use of the Minister and the staff.

The Government spokesman again attributed the irregularity to the ignorance of the rules on the part of the officers explaining the procedure in vogue, the Secretary observed that wines and cigarettes were purchased from London on Government account and later on were adjusted through recoveries from the individuals concerned in local currency by affording credit to Government account. This procedure it was added, was concurred in by the A.G.C.R. and hence the Mission believed that there was no irregularity in following this procedure. The practice was, however, stopped in June, 1951. The Auditor General pointed out that the statement that the A.G., C.R. had concurred in the procedure was not correct. According to him the full facts of the case were not placed before the A.G.C.R. by the Mission; the latter was only asked about the manner in which the recoveries should be shown in the accounts. The advice given did not therefore, imply concurrence with the procedure adopted.

Para 10 (c) .—According to the para, the Minister and his staff had drawn heavy advances by drawing on the Legation Bank Account at various places visited by them on tour. The excess amounts were, however, refunded in due course to Government.

The Auditor General stated that he had since received further clarification from the Secretary in the matter according to which the amounts were advanced not in respect of travelling allowance only but also of entertainment and other allowances. The Secretary in the External Affairs Ministry stated that the procedure of taking advances from the Government accounts in the country which an officer visited and later on adjusting it on his return to headquarters had since been discontinued. According to the new procedure, an Ambassador or a Minister accredited to two or more places could draw the allowances in the local currency of the place visited.

In view of the above explanation the Committee did not pursue the point further.

Para 10 (d).—*Withdrawl of cash in excess of actual requirements.*

218. In this para it was reported that in another Mission cash was with-drawn from bank on several occasions in excess of actual requirements and that payments of 'big' amounts were made by cash instead of by cheques.

It was stated by the Ministry's representative that the practice followed by the Mission was not peculiar to it. Moreover on account of continuous devaluation of the currency, the alternative to Government would have been to increase the allowances of the staff to a very great extent.

Para 10 (c).—*Heavy withdrawl from the Bank and heavy unauthorised advances*

219. In a Mission heavy amounts were regularly withdrawn from the Bank although they were not required for immediate disbursement. It was expalined on behalf of the Government that in the initial stages their pay and allowances could not be paid to the staff and hence arrangements were made todisburse advances of pay to them as in the case of Army Personnel. These payments were not shown in accounts as the necessary sanction from the Government was not received.

In reply to a question, whether he thought that such a procedure was in order, the Secretary said that he would like to confine himself only to the facts of the case and that he was only defending the case. The Committee did not appreciate this attitude. The Chairman observed that it was a joint responsibility of the Government representatives and the Members of the Committee, as representatives of Parliament, to see that things were set right. This work could be facilitated if mistakes were owned frankly without attempting to defend them.

Para 19 (f).—*Mis-use of an imprest account in a Mission*

220. As the Committee were assured that the entire amount had been recovered from the parties concerned and proper accounts are being kept now in such cases, the Committee did not pursue the matter further.

Para 11, *Irregular personal claims of an Officer*

221. This para brings to light a number of irregularities committed by a permanent officer of the Foreign service serving in Indian Missions abroad, some of them are stated briefly below:—

(a) The Officer drew in January, 1950 without Government sanction an equivalent of about Rs. 4,025 on account of medical expenses. The Government accorded in 1951-52 *ex post facto* sanctions for part amounts and the final balance was refunded by him in October, 1955.

(b) In 1951, the officer went with his family to a summer resort for his private convenience and reimbursed himself from Government funds sums alleged to have been spent by him on hotel charges. At the instance of Audit the overpayment was ordered to be recovered from him.

(c) In 1951, the daughter of the officer travelled from the permanent station to London and then to New Delhi *via* Paris by air although she was sanctioned a free passage by sea. The over payment was recovered in 1955.

The Committee were much perturbed to find such flagrant violation of rules committed by such a senior officer. In fact the Committee learnt that their criticisms in paras 41 and 42 of their 16th Report related to irregularities committed by the same officer. But

in spite of all these irregularities, the officer was continued in service for three years beyond his date of superannuation and thereafter had been appointed to a responsible post in another Government Department. In the first instance, the Committee enquired whether any disciplinary action was taken against the officer for committing these irregularities. The Special Secretary, in reply, stated that the officer had furnished explanations in respect of each of these cases as and when they arose and Government had not taken action against him. He, however, admitted that the several iregularities taken as a whole reflected badly on the conduct of the officer. He added that as the entire picture was not before the Ministry, the individual cases were dealt with separately. The C. & A. G. pointed out that the draft audit para was sent to the Ministry in May, 1955 and as such the latter should not plead in this manner.

The Committee then desired to know whether the External Affairs Ministry was consulted by the other Ministry under which the officer was employed at present before his appointment thereto and if so, what were the Ministry's recommendations. The representative of the Ministry promised to furnish the information separately to the Committee.

The discussion next turned to the individual cases. The Secretary promised to furnish detailed information regarding para 11 (c) as desired by the Committee. The Committee felt that on the whole this officer had not been dealt with due severity as was warranted by the irregularities.

Para 12—Infructuous expenditure on residential accommodation in an Overseas Mission

222. This para revealed that a residential accommodation leased for the Charge'd Affairs was retained on his transfer for use by his successor. The lease expired after 3 months and the posting of a successor had not been settled. The lease was extended for another year. The accommodation was earmarked later for the First Secretary and ultimately it was surrendered on the recommendation of the Head of the Mission that this house was unsuitable for occupation by a First Secretary. The infructuous expenditure on rent and maintenance was Rs. 20,906.

It was explained to the Committee that the Officer selected for the Mission had to be diverted to another country on an important and urgent assignment and this accounted for the house lying vacant. The Committee could not understand how the house which was being occuyied by the Charge d' Affairs and the First Secretary in the past had been declared as unsuitable for occupation even by a First Secretary.

Para 13.—Overpayment of foreign Allowance

223. It was stated by the Comptroller and Auditor General that in respect of the case reported in this para, he had received further information in the light of which he did not desire to press the point. The Committee, therefore, did not pursue the case.

Para 14.—*Purchase of Chancery Bulding*

224. The case reported in the para is in brief as follows: The Chancery of an Indian Mission overseas obtained by telegram in October, 1950 a blanket sanction of the Government of India for Rs. 7½ lakhs for the purchase of a building. The purchase of the building was finalised in August, 1951 through an intermediary bank which was acting on behalf of the owners of the property. Actually, the property was purchased through court at a public auction for Rs. 5½ lakhs, but a sum of Rs. 1,36,060 was paid to the two partners of the bank for "their honoraria costs and the purchase price of various furnishings and panellings." The cost of the furnishings and panellings was estimated by the Embassy at about Rs. 27,210 and the exact break-up of the balance of the payment was not clear. The Government of India were also not apprised of the same. Detailed records of the negotiations were not also kept.

It was claimed that the Embassy was able to get a reduction in price o the bfuilding from Rs. 7 ½ lakhs to Rs. 6:8 lakhs; but in the absence of drawings and plans etc., it was not possible to establish whether the negotiations conducted originally were for the same portions of the property actually acquired finally.

There was also a plot of land adjoining the building which was acquired in the belief that it could be utilised for construction of residential quarters. In fact it was on the basis of this possibility that the blanket sanction of Government was obtained; but even when the negotiations had not proceeded very far, the architect expressed doubts about constructing buildings on the vacant plot on account of municipal laws prohibiting such construction.

225. The Special Secretary stated that so far as the doubts about the identification of the plot were concerned, the property that was proposed to be purchased was precisely defined and was the same as the one actually acquired. As regards purchase through a bank, he observed that it was necessary to interpose the bank, because the bank had already entered into an arrangement with all the heirs to the property, who were minors, by which it had obtained the right of option to purchase the building. Regarding the payment to the partners of the bank, the Secretary stated that although the sale was effected through court auction for £40,000 (Rs. 5½ lakhs approximately) only, there was a previous understanding that £10,000 (Rs. 1,36,060 approximately) would be paid separately to the partners of of the bank. Government were not informed of the break up of £10,000; nor did Government call for further details of the amount, as they were quite happy when they saw that the deal which was originally proposed for £55,000 (Rs. 7½ lakhs approximately) was brought down to £50,000/-. Coming to the maintenance of records, the Secretary said that the negotiations were conducted orally and the final terms of the agreement with the bank were kept on record by the Ambassador in the Mission. Payments to the parties concerned had been properly receipted.

The Committee felt that the manner in which the deal was gone through was very unsatisfactory. They did not also feel happy about the stand that the property was purchased for an amount less than the sanctioned sum, although it included payment of £1,000 to the intermediary bank, which fact was never communicated to the Ministry. The Committee also thought that detailed records of negotiations should have been kept on record, as in the absence of the Ambassador, no information would be forthcoming.

As regards the point that the expectation that the land adjoining the building could be utilised for building some flats was belied, the Secretary stated that when this was known in November, 1950 the Ambassador made an agreement with the vendor that in that case either equivalent land or price of the land would be given to the Mission. Although the vendor was prepared to purchase the land in question, the Government were thinking whether it would be worthwhile to make it available on payment of compensation as the other party might create some nuisance.

226. The Committee then adjourned to meet again on the next day, the 8th November, 1956 at 10.00 hours

PROCEEDINGS OF THE FIFTEENTH SITTING OF THE PUBLIC ACCOUNTS COMMITTEE HELD ON THURSDAY, THE 8TH NOVEMBER, 1956.

227. The Committee sat from 10-00 Hours to 12-15 Hours.

PRESENT

Shri V. B. Gandhi—*Chairman.*

MEMBERS

2. Shri C. D. Pande.
3. Shri Kamal Kumar Basu.
4. Shri Jaipal Singh.
5. Shri Radhelal Vyas.
6. Shri C. P. Matthen.
7. Shri R. M. Deshmukh.
8. Shri Shyam Dhar Misra.
9. Shri P. T. Leuva.
10. Shri B. C. Ghose.

Shri A. K. Chanda—*Comptroller and Auditor General of India.*

Shri P. C. Padhi—*Additional Deputy Comptroller and Auditor General of India.*

Shri S. Venkataramanan—*Accountant General, Central Revenues.*

SECRETARIAT

Shri V. Subramanian—*Deputy Secretary.*

WITNESSES

Ministry of Commerce and Consumer Industries

Shri S. Ranganathan—*Secretary, Ministry of Commerce and Consumer Industries.*

Shri L. K. Jha—*Secretary, Ministry of Heavy Industries.*

Ministry of Finance

Shri K. V. Venkatachalan—*Financial Adviser.*

Shri R. Natarajan—*Deputy Financial Adviser.*

Shri Shiv Naubh Singh—*Deputy Secretary (Economic Affairs Department).*

MINISTRY OF COMMERCE AND CONSUMER INDUSTRIES

Audit Report (Civil), 1955—Part I

Para 2—Extravagant expenditure

228. In December, 1950, the High Commissioner in London acquired on lease (running upto 1961) certain premises for commercial publicity on payment of a premium of £4,000 and an annual rent of £1150. When Government sanction for this agreement was applied for, no mention was made that the premises would need extensive repairs and redecoration. A sum of £6,000 had already been spent on this work. More than two-fifth of the building leased had remained unutilised from the time of its acquisition in December, 1950 till 14th July, 1955.

229. The Secretary of the Ministry of Commerce and Consumer Industries informed the Committee that the building was located in a centrally situated area in London and the terms of the lease were not considered extravagant. As for expenditure on repairs and redecoration, he observed that it was always bound to occur as no building would exactly suit the needs of a particular purpose. He added that there was no wilful suppression of the fact that the building was in need of repairs when sanction for the lease was applied for. He, however, admitted that due to lack of proper planning the building could not be fully utilised. The entire building had since been handed over to the Transport Ministry for tourist publicity and to the Mysore Trade Agent and it was now being fully utilised by them. The Commercial publicity is now being confined only to the main building of the High Commissioner's Office, as in the past. In reply to a question as to what was actually intended when the building was taken on lease and whether it was also the intention to utilise for publicity purposes the main building of the High Commissioner's Office in addition, the representative of the Ministry mentioned that the intention was to expand the publicity which was considered inadequate. In fact, the need still remained. But in the present case, in his opinion, there had been an error of judgment in going through the deal before the plan for publicity was fully settled.

The Comptroller and Auditor General informed the Committee that from the papers, it appeared that the Financial Adviser in London was not consulted in this matter and in the latter's opinion, the whole deal was unbusinesslike. The representative of the Ministry of Finance could not throw any light on this. The Committee desired that in future the representatives of the Ministries should have in their possession all the facts relating to the cases under examination when they appeared before the Committee and for this purpose, the Ministry should take necessary action well in time by way of obtaining explanation, comments etc. on the irregularities cited in the Audit Report.

The Committee desired to know categorically whether the expenditure of £.6,000 on repairs had been spent before obtaining

the sanction of the Government for taking the building on lease or afterwards. The Secretary promised to furnish the requisite information after verifying from the relevant records.

Para 3—Uneconomic use of Government Funds

230. During 1952 and 1953 a sum of about Rs. 36 lakhs were received by a bank on behalf of an Indian Mission abroad as part of India's share of War Reparations. In accordance with the directions from the Ministry, these sums were placed on short terms fixed deposit with that bank for a limited period of three months at a time to be automatically renewed on the expiry of the initial period, unless instructions to the contrary were received by the Mission. The Bank paid no interest for such short term deposits and on enquiry, the Ministry were informed by the Mission in March, 1952 that no interest was payable on such short term deposits, but the Mission did not communicate the fact that interest could be earned, if the deposit was for a period of a year or more. No further enquiry was made by the Ministry. The amount remained unutilised till January, 1954, when it was transferred to the Mission's current account to meet office expenses. Thus the deposit which remained with the Bank for nearly 2 years technically as a short term deposit, did not earn any interest.

The representative of the Ministry stated that initially there was some doubt as to whether the amounts could be used for commercial purchases abroad and there was continuous correspondence about the utilisation of the amount. In reply to a question whether the Ministry considered the feasibility of utilising the amount for meeting the current expenditure of the Mission, the Secretary observed that the Ministry did not issue clear instructions on this point till 1954. The Committee pointed out that if there were doubts about the availability of the amount for current expenses, there was a stronger case for investing the same in fixed deposit earning interest. The Secretary admitted that if prompt instructions had been given by the Ministry, the funds could have been more effectively utilised. Instead, the Mission had to incur additional expenditure on exchange on getting funds from London for current expenditure of the Mission, although liquid funds available with the Mission were deposited in a Bank without interest.

Para D—Uneconomic purchase of printing machine

231. With a view to reducing expenditure on the printing of show cards, exhibition catalogues etc., two printing machines were purchased in 1950 for £992 departmentally and not through the India Store Deptt. It was found by experience that the machines could not be used economically and were, therefore, sold for £240.

The Secretary, Ministry of Commerce and Consumer Industries stated that the purchases were made on an experimental basis which

did not however succeed. He admitted that adequate thought was not given before the purchases were made. The Committee then enquired whether any action was proposed against the Officers responsible for the case. The Government spokesman replied that it would be difficult to launch disciplinary action unless it was established that there were *mala fide* intentions in this case. In reply to a question why the procurement was not made through the India Store Deptt, the Secretary stated that although no formal order was placed on the Director-General, India Store Department, he was fully in the picture. The Comptroller and Auditor General, however, informed the Committee that according to the papers placed before him, the Director General, India Stores Department, was not consulted both on the technical and procurement aspects.

Para 5—Exclusion from the Consolidated Fund of the transactions of the Steel Equalisation Fund

232. With a view to meet the large demand of steel during the War at a uniform controlled price to the private consumer, a scheme was introduced from 1st February, 1943, whereby the controlled price was fixed at an average level which was higher than commercially profitable price at which the main producers of steel were selling but which was lower than the cost of imported steel or the price at which the marginal producers and re-rollers could be induced to manufacture. The idea was to utilise the extra price charged to the consumers towards subsidising the imports and the marginal producers. Although the scheme was intended to run on a 'no-profit, no-loss basis', as a result of the cautious policy followed, the balance in the Fund had increased to about fourteen crores, by 31st March, 1955. The transactions of the Fund have been kept outside the Consolidated Fund of India so far, though the incomings into the Fund representing amounts paid to Government by consumers were in the nature of revenue.

The Secretary stated that Government had accepted the position that the transactions of the Fund should pass through the Consolidated Fund of India and that it would be implemented from the next year onwards.

Appropriation Accounts (Civil), 1952-53 and Audit Report, 1954—Part II

Page 40—Grant No. 2 Industries D (5)

233. Only an expenditure of Rs. 6 lakhs had been incurred against the original estimate of Rs. 20 lakhs which was reduced to Rs. 9 lakhs in the course of the year by re-appropriating Rs. 11 lakhs. The Committee stressed the importance of preparing correct estimates and pointed out that such over-estimates by a Ministry would deprive other Ministries in need of funds. The Secretary assured that there would be more realistic budgeting in future.

OUTSTANDING RECOMMENDATIONS

234. The Committee then took up for consideration the outstanding recommendations in respect of the late Ministry of Commerce and Industry.

Para 21 *of the Sixteenth Report—Payment of subsidy for American cotton to a Mill*

235. On the last occasion the Committee had to reserve their opinion as the case was being referred to the Solicitor General by Government for opinion. The Ministry have now furnished to the Committee, a note* detailing therein the points on which the opinion of the Solicitor General was sought and the latter's opinion.

At the outset, the Comptroller and Auditor General pointed out that it was doubtful whether the special permission granted by the Textile Commissioner to the Mill in question was in order in terms of the powers conferred on him in the Government's notification dated the 15th July, 1950. According to him, the order of July, 1950 contemplated that relaxation or deviation by the Textile Commissioner, if sanctioned, should have been of a general character applicable to all and not to an individual producer only. In fact this doubt was expressed even by the Committee in their last Report. The C.&.A.G. added that this point was not referred to the Solicitor General for opinion. The representative of the Ministry admitted that the doubt raised by the C.&A.G. was valid and agreed to refer the point to the Solicitor General for opinion, as desired by the Committee.

Then there was some discussion about the scope of the permission itself. The Committee felt that although the permission was to spin yarn from admixtures of Indian cotton and subsidised American cotton for supplying a quantity of yarn of appropriate counts to the domestic market equivalent to the production from subsidised American cotton content of the mixing, it did not contemplate any further use of the subsidised cotton. In other words the amount of subsidised cotton to be used would be that was necessary for delivering to the domestic market the requisite quantity of yarn of the appropriate counts. The Committee desired to know why permission was granted by the Ministry for exporting yarns made out of the remaining subsidised cotton or of an admixture thereof with Indian cotton. The Secretary was not in a position to explain why the export could not be stopped. The Committee then desired to know why action should not be taken to blacklist the Mill. The Secretary observed that there were difficulties in identifying the exported yarn with the subsided cotton. The Committee pointed out that it was clear from the solicitor General's opinon that the Mill did use American cotton for spinning yarn of higher counts for export purposes and thereby made considerable profits. After some discussion, the Committee invited attention to

* Appendix I, Vol. II.

the last few sentences of the Solicitor General's opinion and asked whether the Government proposed to take any action to recover from the Mills the underserved gains it has made. The representative of the Ministry promised to pursue this matter.

Para 29 of Sixteenth Report—Import and Sale of Japanese Cloth

236. In their Fourth Report (para 23, Import and sale of Japanese Cloth), the Committee had recommended that Government should take early steps to recover the sum of Rs. 15 lakhs outstanding from M/s. Banwari Lal & Co. The case was referred to arbitration, and the award given by the arbitrator was that Rs. 6 lakhs should be paid by M/s. Banwari Lal & Co. to Government. It was disclosed by the Government spokesman during the discussion that a sum of Rs. 2 lakhs out of Rs. 6 lakhs had been paid by the Company and the balance was expected to be paid to Government in the very near future. In this connection, the Auditor General pointed out that in making out the claim on behalf of Government a sum of Rs. 25,000/- was claimed less due to error in calculation. Although it did not make any difference in the amount of the final award, yet the Secretary in the Ministry assured the Committee that he would look into the matter.

Para 105 of the Sixteenth Report—Nahan Foundry Ltd.

237. The last Committee noticed that large amounts were spent by the Foundry on the development of new manufactures *viz.*, Sarovar Pumps, bullock driven centrifugal pumps etc. which had proved quite unsuccessful. These experiments had cost Government very heavily. The Committee, therefore, recommended that immediate action should be taken to institute an enquiry into the matter and action taken against the persons concerned who were responsible for launching upon those costly but unsuccessful experiments. When enquired about the action taken in the matter, it was stated by the Government representative that after investigating the matter, the Government had taken the view that there were no *mala fides* in the case. Experiments were launched in the difficult circumstances after partition, and with the best of intentions. Although the results had now proved that there was an error of judgment on the part of the Officer concerned, yet he was always acting in the best interests of the enterprise. The Auditor General stated that these statements* as well as the report of the Enquiry Committee which had been sent by the Government in the matter would be examined by him in due course and his observations incorporated in the Audit Report accordingly.

238. The Committee then adjourned till 10-00 A.M. of Friday the 9th November, 1956.

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*Appendix III, Vol. II.

PROCEEDINGS OF THE SIXTEENTH SITTING OF THE PUBLIC ACCOUNTS COMMITTEE HELD ON FRIDAY, THE 9TH NOVEMBER, 1956.

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239. The Committee sat from 10-15 hours to 12-15 hours.

PRESENT

Shri V. B. Gandhi—*Chairman.*

MEMBERS

2. Shri Kamal Kumar Basu.
3. Shri Jaipal Singh.
4. Shri Radhelal Vyas.
5. Shri C. P. Matthen.
6. Shri R. M. Deshmukh.
7. Shri Shyam Dhar Misra.
8. Shri P. T. Leuva.
9. Shri B. C. Ghose.

Shri A. K. Chanda—*Comptroller and Auditor-General of India.*

Shri P. C. Padhi—*Additional Deputy Comptroller and Auditor-General of India.*

Shri S. Venkataramanan—*Accountant General, Central Revenues.*

SECRETARIAT

Shri V. Subramanian—*Deputy Secretary.*

WITNESSES

Ministry of External Affairs

Shri B. N. Chakravarty—*Special Secretary Incharge Administration.*

Shri B. K. Acharya—*Joint Secretary.*

Ministry of Finance

Shri Raj Kumar—*Deputy Secretary (External Affairs Division).*

Shri Shiv Naubh Singh—*Deputy Secretary (Department of Economic Affairs).*

MINISTRY OF EXTERNAL AFFAIRS

Audit Report (Civil), 1955 Part I

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240. The Committee first enquired from the Special Secretary, Ministry of External Affairs, further information promised in regard to matters discussed on the 6th and 7th November, 1956.

241. Para 11 (*c*). The Special Secretary stated that after having gone through the papers, he found that the facts of the case were as follows. The Officer had sent his daughter by sea upto London and from there she travelled by Air. The mean sea passage from the station of posting to Bombay *via* London was Rs. 2,500 while by the direct route it was over Rs. 2,200. At first, the travelling allowance claim was restricted to Rs. 2,200. But on the officer's representation that there was no direct sailing from the station to Bombay, sanction was revised to Rs. 2,500. Moreover, the air passage between the station of his posting and London was cheaper than the sea passage and hence the claim for travelling allowance further changed on that basis.

As regards the re-employment of the officer by another Ministry, the representative of the External Affairs Ministry stated that when the officer was informed that his services would not be continued in the E.A. Ministry, he applied directly for a post in the other Ministry. The E.A. Ministry simply informed the other Ministry, on a reference from the latter asking for the early release of the officer, that the services of the officer would be available only from a certain date, but did not communicate anything about these irregularities committed by the officer. If the Committee so desired, he would now inform the other Ministry about the irregularities referred to in the Audit Report. The Committee did not appreciate this view-point. They considered that Ministries should look to the interest of Government as a whole and establish closer co-ordination among themselves so as to safeguard the over-all interest of Government.

Outstanding Recommendations

Paras 61 to 64 of the Fifteenth Report of the Committee. Advance payment by the High Commissioner for India in London for acquisition of premises (Gaiety Theatre).

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242. The previous Committee had examined this case thoroughly and in their Fifteenth Report had made certain observations. A note (Annexure I Page 149 of 15th Report) on the points was submitted by the External Affairs Ministry for the Committee's consideration.

Before taking up the examination of the note, the Committee asked the Special Secretary in the Ministry to narrate the whole case briefly, as some of the Members of the Committee were new. (The details are in paragraphs 61—64 of the 15th Report). The Special Secretary gave a short resume of the case.

Two points were raised by the last Committee, namely first there had been inordinate delay in finalising the deal, although the time for the same was repeatedly extended and the notice had also been given by the lessee and secondly, having advanced a sum of £17,000 as deposit to a building company through one of its Directors, there was no convincing reason for opening negotiations with other building companies. The Committee learnt during the discussions that the lessee at one time (in May, 1951) even offered to execute a sale deed if the High Commissioner would carry out a contract by making a conveyance himself or through his nominees and by paying the purchase price within three weeks. Attention was also invited at the time that the mortgagee of the property were proposing to exercise the power of sale conferred by the mortgage. In spite of these warnings, the negotiations were continued till the mortgage forclosed the property in October, 1951. The Committee could not appreciate the remark made in the Ministry's note* that the mortgage acted almost overnight". In fact the original term fixed for finalising the sale deed expired in October, 1950 and it was nearly one year before the mortgagee foreclosed the property.

Explaining the reasons for the delay, the representative of the Ministry stated that other companies had offered better terms and, therefore, the High Commissioner thought of negotiating with some of them. This he could not do before the first firm, to whom an advance of £17,000 had already been made, was squeezed out. In reply to a question regarding the number of companies which offered better terms, the representative of the Minitsry could quote only the name of one firm, which came on the scene as late as May, 1951. The plan to squeeze out the first firm was, it was observed, suggested by an eminent lawyer. The Committee wanted to know whether there was any written opinion of the lawyer in question. The Secretary mentioned that there was nothing in writing but the opinion was recorded by the Legal Advisers in the High Commission to that effect. Intervening, the Auditor General stated that no written advice given by the eminent lawyer on this point oculd be seen in the file.

As for the comment made by the last Committee that the records in respect of this deal were not complete, the Ministry did not accept this position. The Comptroller and Auditor General, however, did not agree with the Ministry inasmuch as certain points

*Appendix VI, Vol. II.

regarding this delay still remained unanswered by the High Commissioner and the Ministry. The Comptroller and Auditor General also informed the Committee that the payment of £17,000 made to a building company through one of its Directors was done on the authority of the High Commissioner and later *ex post facto* sanction of Government was obtained.

243. The Committee then adjiurned to meet on Tuesday, the 20th November, 1956.

Proceedings of the Seventeenth Sitting of the Public Accounts Committee held on Tuesday, the 20th November, 1956.

244. The Committee sat from 15-00 hours to 15-50 hours.

PRESENT

Shri V. B Gandhi—*Chairman.*

MEMBERS

2. Shri K. G. Deshmukh
3. Shri Diwan Chand Sharma
4. Shri Kamal Kumar Basu
5. Shri Nibaran Chandra Laskar
6. Shri Radhelal Vyas
7. Shri C. P. Matthen
8. Shri G. Ranga
9. Shri P. T. Leuva
10. Shri J. V. K. Vallabharao.

Shri A. K. Chanda, *Comptroller and Auditor General of India.*

Shri P. C. Padhi, *Additional Deputy Comptroller and Auditor-General.*

Shri S. Venkarataraman, *Accountant General, Central Revenues.*

SECRETARIAT

Shri V. Subramanian—*Deputy Secretary.*

WITNESSES

(Present during the examination of the Ministry of Labour)

Ministry of Labour

Shri Vishnu Sahay—*Secretary.*

Shri P. M. Menon—*Joint Secretary.*

Shri S. A. Qadir—*Director General of Resettlement and Employment.*

Colonel V. M. Albuquerque, *Director General, Employee's State Insurance Corporation.*

Ministry of Finance

Shri K. L. Ghei—*Financial Adviser.*

(Present during the examination of the Ministry of Transport.)

Ministry of Transport

Shri N. M. Ayyar—*Secretary.*

Shri H. P. Mathrani—*Development Adviser.*

Shri H. P. Sinha—*Chief Engineer.*

Shri S. K. Lahiri—*Engineer in Chief, Light-House Department.*

Ministry of External Affairs

Shri T. N. Kaul—*Joint Secretary*

Shri K. L. Rathee—*Financial Adviser, North East Frontier Agency.*

Ministry of Finance

Shri S. D. Nargolwala—*Joint Secretary.*

Shri Shiv Naubh Singh, *Deputy Secretary (Department of Economic Affairs).*

Ministry of Labour

Audit Report (Civil) 1955—Part I.

Para 18, *Infructuous Expenditure on accommodation etc.*

245. The Local audit of the accounts of a State Insurance Corporation had disclosed that large expenditure had been incurred on preliminary things, such as setting up of offices, and provision of staff therefor etc., before the actual implementation of the scheme. In many cases, the Corporation had gone ahead with its plans for implementing the schemes in the absence of any clear and authoritative assurance from the State Governments that they were ready with their arrangements in co-ordination. In one area, the scheme was to start from July, 1953, but was defered till 15th August, 1955 resulting in an infructuous expenditure of Rs. 53,800 on rent and about Rs. 50,000 on salaries of staff. In condoning the excess expenditure, the executive body of the corporation had accepted the principle that the Corporation should in future proceed with its preparations for implementing the scheme only after a State Government communicated, in writing, that all important points had been finalised.

In another case, the scheme which should have been started on 26th January, 1955 was postponed indefinitely, but an expenditure of Rs 8,000 had been incurred as rent.

The Secretary, Ministry of Labour, explained that in this matter there was always dual responsibility. The Corporation was responsible for certain preliminary arrangements, while the State

Governments were responsible for matters concerning medical benefits. The target dates f or implementation of the schemes were arrived at by the Corporation in consultation with the State Governments. But, actually the State Government could not adhere to the schedule due to certain difficulties. Thus, in Calcutta to which the first case pertained, the target date had to be postponed due to a change in the system of selection of doctors (proposed originally) as a result of representation from the Medical Association. The other case related to Ahmedabad, and there the delay was due to a representation from the trade union that unless families were included in the scheme, it should not be implemented. Before fixing the target dates, the Central Government also were taking independent stock of the situation and the Director General actually used to visit the States for personal contacts with the parties concerned.

Appropriation Accounts (Civil), 1952-53 and the the Audit Report 1954—Part II.

246. *Page 336—Grant No. 65-C2 (5) (1) Original Works.*

The orignial grant of Rs. 26,97,600 was reduced to Rs. 6,03,600. Even against this reduced final grant, the actual expenditure was only Rs. 3,57,700. The Secretary promised to send a detailed note explaining the circumstances which led to this huge saving.

Ministry of Transport

247. The Committee next took up the Appropriation Accounts 1952-53 in respect of the Ministry of Transport.

Page No. 473, Grant No. 91—Light Houses and Light Ships.

248. The amount originally budgeted for, under the sub-heads I, J&K of the Grant amounted to Rs. 19 lakhs but the actual expenditure was only about Rs.'4 lakhs. It was explained to the Committee that the reason for this saving, was delay in the receipt of debits relating to equipments from abroad. In some cases, although budget provisions were made after Administrative approvals had been accorded, some delay occurred in the examination of the details of the schemes and according of the sanction for the actual implementation of the schemes. Difficulties in getting properly qualified technical personnel and delay in executing works due to whether conditions were also factors which contributed to the delay in constructing the light houses.

The, Auditor-General observed that there were certain defects in the system of budgeting and unless it was changed the above defects would persist.

249. The Committee then adjourned to meet again on Wednesday the 21st November, 1956.

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Proceedings of the Eighteenth Sitting of the Public Accounts Committee held on Wednesday, the 21st November, 1956.

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250. The Committee sat from 15-00 hours to 16-50 hours.

Present

Shri V. B. Gandhi—*Chairman.*

MEMBERS

2. Shri Diwan Chand Sharma
3. Shri Kamal Kumar Basu
4. Shri Nibaran Chandra Laskar
5. Shri Radheylal Vyas
6. Shri C. P. Matthen
7. Shri J. B. Kripalani
8. Shrimati Shakuntala Nayar
9. Shri P. T. Leuva.

Shri A. K. Chanda—*Comtroller and Auditor-General of India.*

Shri P. C. Padhi—*Additional Deputy Comptroller & Auditor-General.*

Shri S. Venkataramanan—*Accountant General, Central Revenues*

SECRETARIAT

Shri V. Subramanian— *Deputy Secretary.*

Witnesses

(Present during the examination of the Ministry of Rehabilitation).

Ministry of Rehabilitation

Shri Dharma Vira—*Secretary.*

Ministry of Finance

Shri M. S. Bhatnagar— *Financial Adviser.*

(*Present during the examination of the Ministry of Transport*).

Ministry of Transport

Shri N. M. Ayyar—*Secretary*

Shri H. P. Mathrani—*Development Adviser.*

Shri H. P. Sinha—*Chief Engineer.*

Shri S. K. Lahiri—*Engineer-in-Chief, Light-house Department.*

Ministry of External Affairs

Shri T. N. Kaul—*Joint Secretary.*

Shri K. L. Rathee—*Financial Adviser.*

Ministry of Finance

Shri S. D. Nargolwala—*Joint Secretary.*

Shri Shiv Naubh Singh—*Deputy Secretary, (Department of Economic Affairs.)*

MINISTRY OF REHABILITATION

Audit Report (Civil), 1955—Part—I.
Para 19, Relief and Rehabilitation of Displaced Persons

251. This para showed *inter-alia* the total expenditure on relief and rehabilitation during the year 1953-54 as well as the progressive expenditure on this acount as follows :—

	Expenditure during 1953-54	Progressive total upto 1953-54.
	Rs.	Rs.
Expenditure on Displaced Persons.	In Camps. 5,50,23,288	84,89,76,573
	Outside Camps. 4,82,96,529	
Capital cost of construction of townships for Displaced Persons.	2,84,34,820	15,82,76,344

The progressive teotal of loans to State Governments for rehabilitation upto 1953-54 was about Rs. 86 crores and the recoveries effected from the States so far were about Rs. 9 crores.

The Committee desired to know the present position regarding the recovery of the loans from the State Governments. The Secretary of the Ministry of Rehabilitation stated that the loans granted were of various categories such as those for rural housing, agriculture, industrial purposes, education of students etc. They were intended for rehabilitation purposes. The loans were given to the various States for disbursement to the parties concerned. At present, there were large demands for such loans from displaced persons in the Eastern Zone. The demand in the Western Zone had more or less dried up. The repayment of the loans by the State Governments was linked with the refund of the loans by the displaced persons. This, he observed, explained the slow progress in recovery.

In reply to a query, the Committee were informed that losses on account of the failure of the parties to repay the loans were shared equally between the Centre and the States in the Western

Zone. In the Eastern Zone, practically the entire loss was borne by the Centre. Answering another question the Government spokesman stated that the Central Government had given clear instructions to the States and to the recovery organisations that no coercive steps should be taken in recovering loans. The Secretary admitted that the pace of recovery was slow but it was better than what Government had expected last year.

The Committee desired to know about the utility of Rehabilitation Finance Administration in the context of rehabilitation work done by the Centre in consultation with the States. The Secretary of the Ministry of Rehabilitation observed that the R.F.A. was catering to the needs of industrialists and businessmen. It was under the control of the Ministry of Finance and not under the Ministry of Rehabilitation. He however, undertook to give the matter some thought and sent a detailed note to the Committee. The Financial Adviser accredited to the Ministry also promised to look into the matter further and furnish the Committee with a note.

Appropriation Accounts (Civil), 1952-53 *and the Audit Report* 1954*—Part II—p.* 376 *Grant No.* 79, *Expenditure on Displaced Persons.*

252. The original provision of about Rs. 11 crores under this Grant was increased to about Rs. 12½ crores by a Supplementary Grant. The actual expenditure however amounted to only Rs. 10 crores approximately.

The explanation offered by the representative of the Ministry was that the estimates which pertained to the payment of grants to Displaced persons for various purposes in the State had necessarily to be based on past actuals and in these matters the Ministry had to rely on the estimates of State Governments. It was difficult to make even a reasonably correct estimate.

Page 377*—note* 7*—Grant No.* 79*—Expenditure on iDsplaced persons—Waiver of recovery for use of staff car.*

253. The Government had waived a recovery of Rs. 1573 from a Relief and Rehabilitation Commissioner on account of charges for journeys by staff car between his residence and Office. It was explained that the Officer had to attend Office at odd hours and to work overtime. The work would have suffered if he was not allowed to use the staff car.

Page 628*—Grant No.* 125*—Capital Outlay of the Ministry of Rehabilitation.*

254. Expenditure of Rs. 2,50,000 only had been incurred against the final grant of Rs. 30,000 under this head. This was explained as due to the share money held by the Government in the Sindhu Resettlement Corporation not being called for as anticipated.

MINISTRY OF TRANSPORT

The Committee then proceeded to take up the examination of Appropriation Accounts and Audit Report in respect of the Ministry of Transport which had remained unfinished the day before.

Appropriation Accounts (Civil), 1952-53 and the Audit Report 1954—Part II (Page 636)—Grant No. 128—Capital Outlay on Roads.

255. In this Grant, against the budget allotment of Rs. 6,71,87,000 actual expenditure was Rs. 5,05, 59,903 only. There were savings of Rs. 1,66,27,097. Giving the reasons for the same, the representtive of the Ministry informed the Committe that the number of major works was very large and that the execution of works could not proceed according to schedule fixed. The Central Government laid down policies and scrutinised plans and estimates, but the execution of such works was carried out by the States. The Government of India have since taken steps to improve the budgeting. They were bringing pressure on the States to have close coordination in this matter. Thus, in the last year the Government had surrendered only 2·3. per cent of the total budget of Rs. 16·3 crores.

Audit Report (Civil). 1955—Part I—Para 20—Purchase of unseaworthy vessel.

256. The case reported in the para is in brief as follows. The Director of Navigation negotiated on the 8th June, 1948, the purchase of a secondhand motor vessel of a Zamindar lying in a dockyard without a survey certificate, at a cost of Rs. 1,60,000 for service on National Highways as a ferry steamer on the Brahamputra. Although the Principal Engineer and Ship Surveyor did not issue the survey certificate, the deal was finalised on the 20th September, 1948. The craft was converted into a passenger and cargo carrying vessel and its engines were overhauled at a cost of Rs. 23,343. But even then, during trials the engines gave trouble and though the Principal Engineer and Ship Surveyor did not certify it, the vessel was commissioned into service. After 56 days' service in 1949, it had again to be repaired at a cost of Rs. 33,734. Even then, after working for 19 days in 1950, it went again out of order. During 1951 and 1952 it worked for 141 and 271 days respectively. No log books were maintained. Finally, the vessel had to be disposed off through the Disposals Organisation.

Explaining the circumstances of the purchase of this vessel, the Government representatives, stated that during the critical days rail and road communications between West Bangal and Assam were disrupted and no traffic was allowed through East Pakistan. A ferry was urgently required, and as there were no new ferries available in the market; out of the three old vessels available at that time the Director of Nevigation in the Central Water-Power, Irrigation and Navigation Commission recommended this vessel, as the other two were in his view, unsuitable. This particular vessel was therefore

purchased. As regards the unseaworthiness of the vessel, it was contended that although the vessel could not be issued a certificate under the Inland Steam vessels Act as it was not fitted with chains, motors and other such auxiliary equipments, yet these deficiencies did not really affect its being seaworthy. The Government were, however, allowed to ply the vessel without such a certificate. In fact, the vessel had actually travelled from Calcutta to Assam, a distance of 800 miles, without any trouble.

257. When the Auditor-General intervened to point out that it was reported that "on the way from Calcutta to Assam, the engine, the circulating pumps, the lubricating system and dynamos gave the same trouble as in Calcutta", the Government spokesman stated that this was reported by the driver of the vessel, but the officer of the Assam Government while taking possession of the boat at Calcutta as well as another officer while taking charge of it in Assam had certified that the condition of the vessel was good. As regards the expenditure of Rs. 23,343 which according to the Audit Report was incurred on converting the craft into a passenger and cargo carrying vessel and over-hauling of engines, it was stated on behalf of the Government that the whole expenditure was incurred on conversion purposes only and nothing on overhauling of engines. The overhauling of engines, it was added, was carried out by the supplier before the sale of the vessel and at the time of purchase the ferry was seaworthy. These facts were intimated to Audit when the audit para was received by the Government for vetting. At the instance of the Committee, the Government representative promised to furnish to the Committee the break-up of the expenditure in question and the date on which it was incurred.

The Committee could not accept the plea of urgency. They noticed that the vessel was purchased in September, 1948 but was commissioned only in March, 1949, and it worked only for 56 days in 1949. It was however, used for 635 days till it was auctioned in August 1953.

The Committee next enquired as to what action had been taken against the persons responsible for the deal. The Government spokeman replied that the explanation of the then Director of Navigation had been received. The Officer had pointed out that as the vessel was tested after its purchase both at Calcutta and in Assam and was certified to be in good condition by the inspecting officers, he could not be blamed in the matter. According to him, the failure in service of the boat was due to its improper maintenance by the staff in Assam.

The Committee were informed that the total expenditure on the purchase and repairs of the boat had amounted to Rs. 2,25,780 and that the vessel was disposed of for Rs. 52,000. Financially, Government had realised a net sum of about Rs. 1·4 lakhs in operating this vessel.

258. The Committee then proceeded to examine the Ministry on the action taken by Government on one of their earlier recommendations.

OUTSTANDING RECOMMENDATION

Para. 123 *of Sixth Report of the Public Accounts Committee.*

259. The previous Committee had criticised the case of uneconomical purchase of a second hand tractor which was reported in Para 11 (a) of the Audit Report (Civil) 1954—Part I. The Committee were then informed that the explanation of the Mechanical Engineer was under consideration.

In his evidence before the Committee, the representative of the External Affairs Ministry stated that the expenditure on the repairs was incurred without sanction, and that from the records (which were not quite complete) and through enquiries made, it transpired that it was not the Mechanical Engineer but the Executive Engineer who was responsible for the expenditure on repairs without sanction. It was also pointed out that when the tractor was actually received from the suppliers and when it gave trouble, the Mechnical Engineer was not asked to test it again. The Executive Engineer who was holding a temporary post had since left the job.

260. The Committee then adjourned *sina die*.

Proceedings of the Nineteenth Sitting of the Public Accounts Committee held on Monday, the 17th December, 1956.

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261. The Committee sat from 15-00 to 17-40 hours.

Present

Shri V. B. Gandhi—*Chairman.*

MEMBERS

2. Shri Diwan Chand Sharma.
3. Shri Kamal Kumar Basu.
4. Shri C.P. Matthen.
5. Shri R.M. Deshmukh.
6. Shrimati Pushpalata Das.
7. Shri P. T. Leuva.
8. Shri B. C. Ghose.
9. Shri J. V. K. Vallabharao.

Shri A.K. Chanda, Comptroller and Auditor-General.

Shri P.C. Padhi, Addl. Dy. Comptroller and Auditor-General.

Shri S. Venkataramanan, Accountant General, Central Revenues.

SECRETARIAT

Shri V. Subramanian—*Deputy Secretary.*

WITNESSES

Ministry of Finance (Department of Economic Affairs)

Shri H.M. Patel, *Secretary.*

Shri H. S. Negi, *Joint Secretary.*

Ministry of Finance (Department of Expenditure).

Shri P. C. Bhattacharya, *Secretary.*

Shri S. Jayasankar, *Joint Secretary.*

Shri K. L. Ghei, *Joint Secretary.*

Ministry of Finance (Department of Revenue).

Shri A. K. Roy, Secretary and *Ex-officio* Chairman, Central Board of Revenue.

Cabinet Secretariat (O & M. Division).

Shri S. B. Bapat, *Director.*

Ministry of Agriculture

Shri R. L. Mehta—*Joint Secretary.*

Ministry of Community Development.

Shri B. R. Tandon—*Secretary...*

MINISTRY OF FINANCE

Audit Report (Civil) 1955—Part I.

—— Para 15—Assessment of Income-tax on restricted value of perquisites.

262. This para deals with the method of computing the value of perquisites for the purpose of assessment of income-tax. In terms of Section 7 of the Income-tax Act of 1922, as it stood prior to its amendment in 1955, perquisites of an employee chargeable for income-tax included the provision of rent-free accommodation by the employer. The manner of determining the value of perquisites was not, however, actually defined in the Act. The Government of India had issued orders in 1928 and 1952, according to which the value of the perquisites of free accommodation was to be computed at 10% or 12½% of the salary of an employee according as the accommodation was unfurnished or furnished. Section 7 of the Income-tax Act was amended by the Finance Act, 1955. This amendment defined clearly the term "perquisites". It provided that "the value of rent free accommodation or the value of any concession in the matter of rent respecting any accommodation provided to the assessee by his employer" should be included in the assessment. This amendment was intended to cover not merely the actual rental value of the rent free accommodation, but also any concessional recovery of rent. It was therefore held by Audit that since the amendment of Section 7 by the Finance Act, 1955, the old executive orders regarding computation of the value of rent free accommodation were no longer valid or applicable.

Prior to the amendment of 1955, there was also an executive instruction to the effect that perquisites for the purpose of assessment had to be received in the form of money or in a form capable of being converted into money by recipients. In pursuance of this instruction, passage, electricity, water, servants etc. provided free, were excluded for the purpose of assessment. The amendment of 1955, however, provided that "the value of any benefit or amenity granted or provided to the assessee by the employer free of cost or at concessional rate" and also "any sum paid by the employer in respect of any obligation which, but for such payment would have been payable by the assessee" would have to be included in the assessment for purpose of determination of the tax recoverable. It was, therefore, no longer permissible to exclude the value of free water, electricity etc., in the computation of assessable income. It was pointed out in para 15 of the Audit Report that the continued application of the order was resulting on the one hand in loss of

revenues to the State and on the other in giving extra legal benefit to a class of assessees, whose salaries and privileges were regulated by Acts of Parliament and who were in terms thereof entitled to be provided by Government with fully furnished residence, water and electricity free of cost.

263. The Chairman, Central Board of Revenue, explained to the Committee that the legal opinion given in 1938 was that on account of the specific mention in the Act of rent free accommodation as a perquisite, the law as it then stood excluded taxation on other perquisites such as free passages etc., which were not convertible into money, and that the main object of the amendment of 1955 was to bring such concessions also within the scope of taxable income. He further explained that it was not intended to change the existing method of evaluating the rent free accommodation as 10% of the employee's salary when unfurnished and as 12½% when furnished, subject to accommodation provided and the rent paid therefore, being reasonable. An assurance to that effect was given by the Finance Minister in the Lok Sabha when the Act was being amended. The representative of the Ministry further argued that section 59(1) of the Income-tax Act permitted the Central Board of Revenue to make rules prescribing the methods by which an estimate of income, profits and gains liable to tax may be made where such incomes etc. could not be definitely ascertained or could be ascertained only with some amount of trouble and expense to the assessee. In effect the stand taken by the Chairman of the Central Board of Revenue was that notwithstanding the amendment made in 1955, the Government were not giving any extra legal benefits by continuing to apply the old executive orders in assessing house rent.

The Committee could not fully appreciate the stand taken by the Government. In their opinion, the wording of the amended Section 7 to the effect that "the value of rent free accommodation or the value of any concession in the matter of rent respecting any accommodation provided to the assessee by his employer" could not admit of the interpretation sought to be placed by Government whatever their intentions might have been at the time of amending the Act. The wording appeared to them to be deliberately designed to bring the difference between market value of rent and the 10% rate payable by the employer within the purview of the tax. The Committee considered that in view of the difference of opinion on this point between the Comptroller and Auditor General and the Government, the opinion of the Attorney General should have been sought in the matter as soon as the Audit Report was published.

As regards the exclusion of water and electricity provided free of charge, the Chairman, Central Board of Revenue, stated that under the Salaries and Allowances of Ministers' Act, 1952, Ministers were exempted from maintenance charges of residences and that according to the Law Ministry, maintenance charges included also

the income-tax liability thereon and as such, no income-tax could be charged in respect of any of those perquisites. The Committee felt that the Attorney General should have been consulted by Government in this regard too, especially when the Central Board of Revenue themselves at one stage felt that the value of these perquisites should be taxed.

OUTSTANDING RECOMMENDATIONS

Para 51 of the Sixteenth Report—Income tax cases.

264. As a result of the judgment of the Supreme Court invalidating Section 5(1) of the Taxation on Income (Investigation Commission Act 1947) from 17-7-54 and Section 5 (4) *ibid* from 26-1-50, the Central Board of Revenue had to take over 830 cases for reassessment under Section 34(IA) of the Income-tax Act. Of these cases, Government had completed 126 cases (102 were those already done by the Commission and 24 new cases). The demand in respect of these cases was Rs. 3·31 crores against which Rs. 1·5 crores had already been collected, (according to the evidence given before the Committee in November, 1955). Since then, Section 5(1) of the above Act had been declared invalid from 26-1-50. The Board had now furnished statements* with reference to para 51 of the Committee's Sixteenth Report showing the number of cases completed, and those still outstanding together with the amounts involved in such cases etc.

When enquired by the Committee whether the outstanding cases would be cleared by the target date of March, 1957 mentioned during the discussions last year (November, 1955) the Chairman, Central Board of Revenue stated that due to the right of Government to allocate cases to special Officers instead of on a territorial basis having been challenged in the Supreme Court, the finalisation of the cases would be delayed by about another 6 months. For the information of the Committee, the Secretary further stated that the demands raised as a result of the departmental investigation were indentical with those raised previously by the Investigation Commission. He also narrated the present position of the cases taken over by the department from the Commission and promised to send a statement** showing further details sought by the Committee.

Para 21 of the Fifteenth Report of the P.A.C.—Transfer of the work relating to pensions in respect of British personnel to U.K.

265. In para 21 of their Fifteenth Report, the Committee had observed that in the arrangement between the Government of India and U.K. regarding transfer of the pensionary liabilities in respect of the British personnel, Civil and military, the method of computation of capitalised value of the pensions, the Income-tax

*Appendix VII, Vol. II

**Appendix VIII, Vol II

due to the Government of India thereon and that of reckoning of interest on balances at the rate of 1% were not quite satisfactory and had suggested the Ministry of Finance to examine these points and to take possible measures to safeguard the financial interests of the country.

The representative of the Ministry of Finance in explaining the position, stated that the capitalised value of the pensions would actually be worked out by actuaries of the British Government and that the Accounts Officers of the High Commissioner's Office would be associated with them and could check the calculations wherever necessary.

As regards rate of interest, he added that there was a specific clause in the original agreement in 1948 which provided that interest would be calculated at the rate of 1% and this rate was applied for evaluating the present value of the capitalised cost of the pensions. The Committee could not appreciate the connection between the Sterling Balances agreement of 1948 and the present deal of outright transfer of the pensionary liability to the U.K. Government. In their opinion, in computing the capitalised value of pensions now, the current rate of interest should have been the basis according to the normal practice. Absence of any specific mention of the rate of interest in the present agreement, cannot be taken to mean or imply that the earlier rate of 1% was indicated. The Committee desired the Secretary to send a note on this point elucidating the reasons that led the Government of India to accept the rate of 1% for computing the capitalised value of pensions.

Appropriation Accounts (Civil) 1952-53 and Audit Report 1954—Part II—Grant No. 41—Page 202, Extraordinary Payment

266. The original provision under this grant was Rs. 14,24,52,000. The revised estimate was Rs. 8,71,56,000 (after surrendering Rs. 5,52,96,000). The actual expenditure came to Rs. 7,62,26,575 only. It was explained that the provision in the budget was made on the basis of the estimates given by the different States in the light of their performances in the previous year in executing development schemes. The estimates were revised in the course of the financial year on the basis of the information regarding the actual expenditure received from the State, but even then, some savings had occurred. The Planning Commission had now formed teams consisting of Officers of the Central Ministries who would discuss with the State Government officials the question of implementation of schemes and execution of projects with a view to frame the budgets more realistically.

Grant No. 111—Capital outlay on mints—Page 589 of Appropriation Accounts (Civil) 1952-53 and Audit Report 1954, Part II.

267. There were savings of Rs. 26 lakhs out of the total grant of Rs. 33 lakhs. In reply to a query, the Secretary in the Ministry stated that the Silver refinery plant was likely to go into production towards the end of 1957.

Grant No. 115—*Loans and Advances by the Central Government page* 601 *of Appropriation Accounts (Civil)* 1952-53 *and Audit Report*—1954 *Part II.*

268. There were savings of about Rs. 7 crores in the total grant of nearly Rs. 17 crores. The savings, it was explained, were due to expenditure on certain projects not having come up to the anticipated level.

Grant No. 37—*Miscellaneous Departments and Expenditure under the Ministry of Finance—Note* 8 *on page* 194 *of Appropriation Accounts (Civil)* 1952-53. *Audit Report* 1954—*Part II.*

269. According to the note, the Community Project Administration set up during 1952-53, constituted a 'new instrument of service' and the expenditure thereon should have been provided by a supplementary token vote of Parliament and not by re-appropriation of savings under other heads of the same Grant. The Secretary of the Ministry of Finance did not accept this position as there was provision in the budget already for Community Development Projects, although under a different grant *viz.*, Grant No. 41; and the Community Project Administration set up was only a part of the bigger projects. The fact that the expenditure on the Administration was debited to a different Grant *viz.*, Grant No. 37 did not mean that the expenditure was on "New Service". Thereupon, the Auditor General expressed his desire to have further discussions with the representatives of the Ministry of Finance in the matter and in case of disagreement to bring the matter before the Public Accounts Committee for a decision.

Appendix to Audit Report (Civil), 1955—*Part I—Estimates and Financial Control.*

270. The Chairman then drew attention of the Government representatives to the Appendix to the Audit Report. He stressed the necessity of improving the budgeting and making the budgets more realistic. He cited as an example, the large percentage of savings as well as the large number of Grants in which the savings had occurred during the year 1952-53; and enquired whether the suggestions made by the Auditor General in the Appendix were considered by the Government. The Secretary stated that the various measures suggested in the Appendix had not yet been thoroughly studied by Government and he promised to send to the Committee the considered views of the Government in the matter by the 20th January of the coming year.

271. The Committee then adjourned *sine die.*

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Proceedings of the Twentieth Sitting of the Public Accounts Committee held on Tuesday the 19th March, 1957.

272. The Committee sat from 15-30 hours to 16-15 hours.

PRESENT

Chairman

Shri V. B. Gandhi—*Chairman.*

MEMBERS

2. Shri Kanal Kumar Basu
3. Shri Nibaran Chandra Laskar
4. Shrimati Tarkeshwari Sinha
5. Shri Radhelal Vyas
6. Shri R. M. Deshmukh
7. Shri P. T. Leuva

Shri A. K. Chanda, Comptroller and Audit General of India

Shri P. C. Padhi, Additional Dy. Comptroller and Auditor general.

Shri S. Venkataramanan Accountant General, Central Revenues.

SECRETARIAT

Shri V. Subramanian, Deputy Secretary.

273. After considering the Notes/Memoranda relating to Excesses over Voted Grants and Charged Appropriations as reported in the Appropriation Accounts (Civil) of Grants and Appropriations disclosing Excesses 1953-54*, received from the various Ministries, the Public Accounts Committee considered the draft Twenty-third Report on the Appropriation Accounts (Civil), 1952-53 and Audit Report 1954—Part II and Audit Report (Civil), 1955—Part I and approved it.

274. The Committee then adjourned till 15-10 hours on Friday, the 22nd March, 1957.

*See Twenty-fourth report of the Public Accounts Committee.

APPENDIX I

Summary of the Main Conclusions/Recommendations of the Twenty-third Report of the Public Accounts Committee on the Appropriation Accounts (Civil) 1952-1953 and Audit Report 1954 Part II and Commercial Appendix thereto and Audit Report (Civil) 1955—Part I.

S. No.	Para No.	Ministry concerned.	Conclusions/Recommendations.
1	2	3	4
1	3 (Introd.)	All Ministries	The Committee trust the remarks of the Comptroller and Auditor General in his Reports on a number of points on which they thought it unnecessary to report further after their discussions with the representatives of the Ministries will receive attention.
2	5 (Introd.)	Home Affairs. All other Ministries.	The Committee would invite attention to para 5 of the Introduction to their Sixteenth Report and feel that a Senior Officer in each Ministry should be nominated to be responsible for furnishing information called for by the Committee, taking appropriate action on other requests of the Committee and for dealing with their recommendations.
3	6 (Introd.)	Finance.	The Memorandum containing the views or decisions of the Government on the Appendix to Audit Report (Civil) 1955—Part I regarding Estimates and Financial Control which the Finance Ministry promised to submit to the Committee i January is still awaited.
4	12	Do. / All other Ministries.	Percentages of savings over final grants and Appropriations not only reflect on the accuracy of budgetings, with the assortment of the Demands for Grants Ministry-wise, they also serve as an index of the measure of performance of the respective Ministries. The synchronisation contemplated at different stages in the execution of the various segments of the Plan implies a balanced selection of programmes for execution each year and unless funds are allocated according to needs and utilised properly, the Plan targets would suffer both in quantity and quality. The tendency "to err on the safe-side" on the part of the Ministries is discernible in the year under report also. It is, therefore, necessary that the Ministry of Finance should be vigilant to "squeeze the water out of the sponge". In this context

1	2	3	4
			the Committee would welcome the views of the Ministry of Finance on the suggestions of the Comptroller and Auditor-General for certain structural changes in the framing of the budget and the compilation of accounts to secure a more realistic presentation of the estimates and economic utilisation of funds.
5	13(a)	Finance . .	The Committee feel that some means should be devised to check the sort of overbudgeting reported under Grant No. 41 of the Appropriation Accounts (Civil) 1952-53 —Extraordinary payments. They are glad to note the formation by the Planning Commission of a Board consisting of Officers of the Central Ministries who would discuss with the State Government officials the question of implementation of schemes and execution of projects with a view to frame the budget more realistically.
6	13 (a), (b) and (c)	Finance, Food and Agriculture and Commerce and Consumer Industries.	The Committee came across specific cases concerning various Ministries in which overbudgeting and laxity of control over expenditure were noticed. This immobilises resources which could, with advantage be utilised on other important projects.
7	13(d)	Transport	The Committee doubt the wisdom of the Administrative Ministry suggesting the provision under Grant No. 91, sub-heads I & J—Light Houses and Light Ships— and Finance accepting it until the codal formalities had been completed and the scheme was ripe for execution.
8	13(e)	W.H.& S.	The Committee are not fully convinced by the explanation of the Ministry that purchases which resulted in excess were not expected to be received during the financial year but were actually received and had to be paid for. In their opinion, this is a typical case of both faulty budgeting and laxity of control over expenditure. It is only to avoid such lapses in budgeting and financial control, that earlier Committees had suggested close liaison by the indenting Department with the supplying Department so that they may be posted with the progress of supply and ensure realistic estimates. The Committee trust that due attention would be paid to this aspect of estimating expenditure.
9	Do.	Do.	The Committee did not feel quite happy on the explanation of the Ministry that although the Grant had appeared under the Ministry of W.H. & S., it related to all Ministries, whose information formed the basis of the Grant and respective Ministries, therefore, be held responsible if the estimates were not realistic. In their opinion it was the responsibility of Government as a whole to present to Parliament esti-

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			mates that were realistic. If there are any defects in the existing budgetary procedure, Government should address themselves to remedy those defects.
10	17	Commerce & Consumer Industries External Affairs.	The Committee are unable to see any justification for leasing the building on payment of a premium of £ 4,000 and for the further expenditure of £ 6,000 on its repairs and decoration by the High Commissioner out of his contingent Grant under his own financial powers when the plans regarding publicity had yet to be decided. The Committee consider it an improper use of the powers and regret to observe the short-sighted way in which the High Commissioner had set about this case. They further learnt from the Comptroller and Auditor General that Financial Adviser in London was not consulted before the building was taken over on lease. In the Committee's opinion, it was the duty of the High Commissioner to have apprised the Government of this liability. Had this been done, Government might not have agreed to this extravagant expenditure on this building, which ultimately proved infructuous, especially when the plan for commercial publicity was not ready.
11	18	Finance All other Minitsries.	The Committee regret to observe that the above case was not a solitary case of its kind and they are distressed at the complacency on the part of the representatives of the Ministries. There were a number of cases of lease of buildings overseas for long periods, in which the building had either not been utilised for the purpose or were found unsuitable for the purpose. Overseas expenditure has been continuously rising and in the interest of national economy and for the satisfaction of the tax-paying public, it is essential that effective control over such expenditure authorised by Parliament is ensured by Finance.
12	21	Commerce and Consumer Industries.	The Committee would like to be apprised of the special reasons for by-passing the Director-General, India Store Department in the case relating to the uneconomic purchase of printing machines. They feel that disciplinary action should be initiated even in cases of gross negligence.
13	27	Do.	The Committee think that the proviso under clause 20B(iii) of the Cotton Control Textiles Order, 1948 contemplated a general permission to all producers and not a special permission to an individual mill as was done in the present case. They shared the doubts of their predecessor Committee

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			and desired that a reference should be made to the Solicitor General on this point. The Committee would like to be apprised of the result in due course.
14	28	Do.	The Committee note that according to the Solicitor General, Government had no strong grounds to take up the matter to a Court of law. Nevertheless, they would like to invite the attention of Government to the following passage in the Learned Counsel's opinion :— "It is true that the use of American Cotton of high counts for export purposes the Mills may have made very considerable profit and if the matter is looked at merely from moral grounds, there would be a good deal to be said against the Mills, particularly when Mr. (of that Mill).....had suggested that there was no question of loss to Government or profit to the Mills". In the committee's opinion, these observations are significant. They would therefore, urge the Ministry to pursue this matter further with the Mill which by taking unfair advantage of the subsidy scheme had made considerable profits, which though not legally refundable were morally unjust. It was in fact to safeguard the interests of the Public Exchequer in such cases that the P.A.C. had recommended in para 90 of the 15th Report that suitable legislation empowering Government to review concluded contracts to effect recovery of demonstrably excessive or unconscionable payments by Government. The Committee regret to observe that no action had been taken so far on this recommendation.
15	29	Commerce and Consumer Industries.	(i) The Committee strongly deprecate the manner in which such a concession involving as it did serious financial implications was agreed to on the phone orally and no records of the circumstances and the conditions governing the grant of concession were kept for subsequent reference. Had it been done, there might have been no occasion for an argument, as had arisen.
		Do. All other Ministries.	(ii) The Committee had come across similar cases where absence of contemporaneous records had led to extravagance in expenditure or loss to Exchequer and created difficulties in the matter of fixing responsibilities. They would, therefore, strongly urge that as a rule, proper records of all the important decisions and the discussions leading to them should invariably be kept.

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16	30	Commerce and Consumer Industries.	The committee do not see why the question of taking departmental action against the other person involved should be linked up with the fate of the appeal by the *ex*-clerk pending in the Court. They invite attention to para 13 of their Thirteenth Report in this connection and would urge that departmental action should be taken against the other person and the supervisory staff without further delay.
17	36	External Affairs .	The Committee deplore the way in which the case of renting a building in a foreign country had been dealt with by both the High Commissioner and the Government Even if the matter was considered urgent for political reasons, when the foreign Government recommended the leasing of a building for housing the Embassy. the matter should have been examined afresh as soon as negotiations in respect of that building fell through. The action of the High Commissioner in leasing the second building which saddled Government with a liability for 15 years without making sure that the necessary personnel for the Embassy could be found within a reasonable time lacked justification. The representative of the Ministry could not give any information as to whether his Financial Adviser was consulted by the High Commissioner in this matter.
18	37	Do .	In the opinion of the Committee. the Ministry are not altogether blameless in the matter. They could not understand why the Ministry did not hasten to select the persons for the Embassy after having issued the order for the lease of a building in a foreign country at a substantial cost. The plea of Financial stringency was hardly convincing when the question of opening an Embassy in that country had become urgent for political reasons. The Committee are disappointed at the fact that even by the end of 1956 (6 years since the building was leased) the Embassy had not started functioning. They, therefore, desire that the Ministry should now seriously examine the question of surrendering the building by compromising with the lessor in case there was no prospect of finding the necessary personnel and establishing the Embassy in the near future.
19	38	Finance . . / External Affairs .	The Committee find it difficult to accept the view of the Ministry of Finance that according to the procedural rules a proposal was referred to the Standing Finance Committee only if it had the prior approval of the Finance Minister and since the proposal referred to in this para was not agreed to by the Finance Minister, it was not considered necessary to refer it to the Standing Finance Committee. As the Standing Finance

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			Committee is now defunct, the question has only an academic interest. Nevertheless, in the present case, the Committee feel that the Standing Finance Committee should have been communicated the decision of the Cabinet, as this case had been considered by the Standing Finance Committee earlier.
20	41	External Affairs/ Commerce & Consumer Industries / Heavy Industries/ Finance.	While recognising the need for entertainments, the Committee consider that the ceiling rates fixed by the Ministry in some of the cases were too liberal specially when those rates did not include the cost of drinks. They tsust that the Ministry of Finance would scrutinise the rates carefully and fix them reasonably.
21	46	External Affairs	It is apparent from the number of advances drawn by the officer for the purchase of motor cars that he has disregarded the rules and regulations repeatedly and quite often, consciously. The Committee deprecate violation of rules and regulations which have been laid down after careful consideration and are distressed to note that even after the matter had been brought to the notice of the Ministry by Audit the Ministry have taken too lenient a view. In their opinion it is a matter meriting serious action.
22	49	Do	The Committee desired the Ministry to examine the case relating to unauthorised use of Government cash by the Head of the Mission for himself and his staff for private purposes afresh and to inform them of the action proposed to be taken in the matter.
23	50	Do.	The Committee cannot concur in the view that because the advance had been repaid fully, the irregularity in drawing the advance was merely technical and they are unable to comprehend the "misunderstanding" which precluded the exhibition of the drawal of the advances in the accounts.
24	51	Do.	The Committee regret to observe that the purchases of wines and cigarettes from Government fund for more than two years for the personal use of the Minister and the staff in the above Mission are instances of abuse of the privilege of handling Government funds which had occurred in a Mission headed by an experienced officer.
25	54	Do. All other Ministries	Despite the financial irregularities committed by the Officer in respect of which the Ministry did not consider disciplinary action necessary although when viewed as a whole the conduct of the officer appeared improper, the Ministry while replying to a reference from an other Ministry proposing to re-employ him did not communicate those facts to that

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			Ministry. The Committee feel that in the larger interest of Government as a whole, one Ministry should communicate irregularities on the part of an officer intended to be re-employed by another Ministry to that other Ministry for their benefit. At the instance of the Committee the representative of the External Affairs Ministry has now agreed to communicate these irregularities to the other Ministry which had meanwhile employed him.
26	57	External Affairs .	The Committee had occasions in the past to comment on cases where infructuous expenditure had been incurred by Missions abroad, either beacuse the Officers for whom the residences were leased could not be posted or the Houses were later declared unsuitable for their occupation. They consider that the system of securing and paying for accommodation overseas is capable of improvement and would urge the Foreign Service Inspectorate to examine this from two aspects, *viz.*, to check extravagance and to stop infructuous expenditure.
27	60	Do. . .	The Committee find it difficult to share the satisfaction of the Ministry about the transaction relating to the purchase of Chancery Building merely because the price paid for the property was less than the sanctioned sum. On the other hand, they are far from happy about the spending of Rs. 1·3 lakhs without that accountability which is the basic principle of Government finance. Not only the purchase should be effected to the best advantage of the Government but it should also be ensured that it could not have been negotiated for a lesser amount. The Committee were not convinced of the necessity for a pre-arrangement with the vendors for a separate payment of £ 10,000 when the sale was effected by public auction through the Court. In case such a pre-arrangement was considered inevitable, the details there of should have been intimated to Government and their prior approval taken.
	61	Do. . .	The Committee were given to understand that even at a very early stage of the negotiations for the purchase of this property, the architect had expressed doubts about constructing buildings on the vacant plot because of Municipal Laws prohibiting such constructions. The Committee cannot see any justification for proceeding with the negotiations in these circumstances. They doubt the wisdom of the action of the Finance Ministry in agreeing to a blanket sanction of Rs. 7½ lakhs, the details of which they were not aware of.
		Finance	
28	62	External Affairs .	The Committee do not see how the offer of the firm in May, 1951 could explain the delay in not finalising the agreement with the lessee by

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			11th October, 1950, seven months earlier. They are also unable to accept the contention of the Ministry that 'the mortgagee acted almost vernight' as the facts of the case reveal that the mortgagee foreclosed the property only in October, 1951 *i. e.*, almost a year after the time fixed for finalising the sale. On the other hand, the Committee observed that no action was taken even after the unequivocal warning conveyed by the Solicitors of the lessee to the High Commissioner in May, 1951 that the mortgagee was proposing to exercise the power of sale conferred by the mortgage.
	66	External Affairs .	Judging from the facts placed before them, the Committee are led to the conclusion that the loss to the Government was occasioned by the inordinate delay in finalising the negotiations for which they could see no convincing reasons.
29	70	Finance . .	In the Committee's opinion, Section 7 of the Income-tax Act as it stands after amendment could not admit of the interpretation now sought to be placed thereon by Government whatever their intentions might have been at the time of amending the Act". They doubt whether the expression 'value of rent-free accommodation' used in the Act could be stretched to mean the value of the accommodation to the employee and as such was relatable to the emoluments of the employee. In view of the difference of opinion that had arisen between the Comptroller and Auditor General and the Government, the Committee feel that the opinion of the Attorney General should have been sought in the matter as soon as it arose.
	71	Do. . .	The Committee think that the views of the C.B.R that the charges for water and electricity in respect of the Minister's residences which were payable by Government to separate authorities like the Municipality and State Electricity Authority, should be regarded as additional emoluments of the persons and be taxed as such *vis-a-vis* the legal advice which was otherwise is also a fit case for reference to the Attorney General for opinion. The Committee would also like to add that it would be a good practice in future to refer all similar cases, where the beneficiaries are members of the Government to the Attorney General for his opinion.
30	73	Do. . .	From the information furnished to them, the Committee find that 189 cases have been disposed of till 30th November, 1956 of which 127 cases represented those completed by the Investigation Commission. (The number of cases disposed of till 31st May, 1956 was 157 out of which 117 were cases completed by the Investigation Commission). In other words, the Board had been able to dipose of only 22 fresh cases during a period of 6 months. At this rate,.

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			the Committee do not know whether the expecta tion of the Secretary, Revenue Department for the clearance of all outstanding cases by March, 1958 could be fulfilled at all. Considering the chequered progress of this scheme and the number of hurdles it had to face every now and then, the Committee would urge that the who'e matter be examined afresh with a view to simplifying the process and speeding up the machinery for assessment and collection.
31	73	Food . .	In the light of the facts before them, the Committee find it difficult to accept the plea that the offers from the two firms, one from Bombay and the other from Madras received within a span of a week or so were considered independently in the Ministry. Even if the Minister was not aware of the receipt of the offer from the Madras firm when he gave his decision on the offer from the Bombay firm, the Committee feel that the Ministry should have apprised him of the receipt of the Madras offer for the same quality rice at a lower rate, so that the deal with the Bombay firm could have been negotiated at lesser rate, which was profitable to Government. During their examination, the Committee could not get a convincing answer for this omission on the part of the officials. They are , therefore, led to the belief that there had been a calculated effort in the Ministry not to take a decision on the offer from the Madras firm till the offer at a higher rate from the Bombay firm was accepted and orders placed. The Committee desire that an enquiry should be made into the case with a view to fix individual responsibility for the loss of about Rs. 2·67 lakhs to Government.
32	81	Agriculture . .	The objective of this 'emergency measure' was evidently not fully served considering the delay that took place in the construction of the tube-wells despite many extensions of time. The Committee were surprised to learn that the firm whose offer government had accepted had no experienoe of this work.
	82	Do. . .	The representative of the Ministry raised a question before the Committee — whether the Central Government was answerable to the Public Accounts Committee for the detailed operations of the contracts entered into by the State Governments with the firm. Illustrating his point, he referred to the various State Schemes included in the Second Five Year Plan for the implementation of which the States were responsible and accountable to the respective Legislatures, though the schemes were within the Plan-frame as laid down by Parliament. While the Committee appreciate the force of the above argument, in their opinion, the present case is distinguishable in that the States concerned were

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			not acting within a policy directive like food policy, but were constrained to act within the framework of a contract, prepared by the Central Government. The Committee regret to observe that the framework of the contract was defective in certain respects and was thus responsible for the subsequent lapses in the execution of the scheme in the States.
33	83	Agriculture . .	The Committee feel that consideration of the matter in the past relating to the non-inclusion of the element of royalty while working out the profits of the Forest Department, Andamans for 1952-53 and the decision to omit the exhibition of royalty in the Balance Sheet was not correct. They would suggest that in assessing the profits of the operations, there should be a set-off of an amount of royalty, which should be determined in consultation with Audit. It is needless for the Committee to emphasise the desirability of reducing the outstandings under sundry debtors which had increased during 1952-53. In cases of delay, the penalty provision in the agreement should be invoked.
34	84	Do. . .	The Committee do not see why the C.T.O. which is run on a commercial basis, should charge the State Governments at a rate less than its actual cost of reclamation. They would invite attention of the Ministry to their as well as the Estimates Committee's recommendations in the past for bringing down the cost of operations of the C.T.O. and desired to have a detailed note from the Ministry indicating the extent to which the economies, etc. suggested by them had been effected. This note is still awaited.
35	86	Agriculture /Finance	Judging from the account of the progress of the earlier negotiation between Government and the Fertiliser company as given in the note submitted to the Committee, they are at a loss to find the justification for taking credit in the profit and loss account. Such credits of dubious nature not only distort the true picture of the working, but also go against well recognised principles of commercial accounting. The Commitee attach great importance to sound commercial accounting in view of progressive increase in the number of commercial undertakings run by Government. They would urge upon the Ministry of Finance to go into this question in consultation with the Comptroller and Auditor General and see that the principles of commercial accounting are strictly followed.

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36	93	Rehabilitation	The Committee would like to know how the loss on account of non-repayment of rehabilitation loans by displaced persons is being calculated and at what intervals. They would also like to be informed whether any amount of loan has been written off so far by the Centre.
37	94	Rehabilitation Finance All other Ministries	The Committee consider that write-off of loans advanced on the authority of the Appropriation Act should be made with the approval of Parliament and would wish the Ministry of Finance to examine how such approval ought to be obtained.
38	97	Transport	The Committee find it difficult to accept the view of the Ministry that the report that "on the way from Calcutta to Assam, the engines, the circulating pumps, the lubricating system and the dynamos gave the same trouble as in Calcutta" should be discounted as incorrect as an officer of the Assam Government while taking possession of the boat at Calcutta as well as another officer while taking charge of it at Assam had certified that the condition of the vessel was good. They are rather concerned at the complacency of the persons concerned who advised putting the vessel on the seas before it was declared seaworthy which contravened the Indian Steam Vessels Act. They consider the plea that the vessel was required urgently and there was no time to carry out the repairs as hardly convincing especially when, according to the Ministry themselves, the boat which was purchased in September, 1948, was commissioned only in March, 1949 and worked only for 56 days in 1949.
	98	Do.	Judging from the facts before them, the Committee feel that the purchase of the second-hand vessel lacked justification. They understand that the Superintending Engineer, Assam had conducted a detailed enquiry into this case and submitted a report to Government. They desire that a copy of the report of the Superintending Engineer, Assam and Government's comments thereon be submitted to them.
39	101	Do. All other Ministries	The Commitee cannot help feeling that a timely enquiry into the circumstances of this case (even sometime between 1950 when the tractor became useless and 1953 when it was sold by auction resulting in a loss of Rs. 8,888 to Government) could have enabled Government to fix responsibility and to enforce recovery if due, from the Executive Engineer. The Committee had occasion in the past to comment on similar delays in starting enquiries. They would, therefore, once again stress the need for taking timely action on such matters.

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40	103	W. H. & S.	The Committee can hardly be convinced of the circumstances which, according to the Director General of Supplies and Disposals led to the misunderstanding about the processing of this particular indent. It was the duty of the Purchase Organisation to have got proper clarification from the indentor in which it had obviously failed.
		Do.	The representative of the Ministry of W. H. & S. admitted that there was really no explanation in extenuation of the delay of over two years in initiating action in respect of this indent. It was a case of pure and simple neglect on the part of the officer concerned, whose duty it was to review wthe outstanding indents. The Committee were informed that a warning had been administered to the officer. They feel that Government had been needlessly mild in this matter.
	105 & 106	Do.	The Committee feel that in this case, the indentor (C.P.W.D.) were also not blameless. Having indented for the article for early supply, it is surprising why they did not pursue the matter more vigorously with the Purchase Organisation instead of waiting so long and depending on that Orgainsation. In the Committee's opinion, this case reflects badly on the manner in which indents are made and processed.
	107	Do.	The Committee were informed that measures to tighten up the procedure had been devised. During one of their on-the-spot study visits the Committee came across another instance of alleged inordinate delay on the part of the Purchase Organisation in procuring a minor component of an electric equipment required by the Fuel Research Institute, Dhanbad and for want of which, the Institute, was being handicapped forthe last one year or so. The Committee desire to be apprised of the actual facts of this case. They would also urge that measures devised to streamline the work are translated into action expeditiously.
41	114	Do.	The Committee were not fully convinced of the plea by the Administrative Ministry that they were guided in this case by the advice of the Ministry of Law. The lingering manner in which the case had been progressed — in fact the then Directorate General of Supplies and Disposals had put up a plausible case against claiming refund—indicated clearly that there had been insufficient vigour in dealing with this case.
	115	Do. All other Ministries.	The Committee are alarmed at such delays and would urge that Government should evolve a procedure whereby delay in the process of obtaining legal opinion is reduced to the minimum as otherwise chances of successful prosecution of fit cases would be adversely affected by mere passage of time.

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	116	Law . . .	The Committee are also distressed to observe that conflicting opinion given by the officers of the Ministry of Law placed the Administrative Ministry on the horns of a dilemma.
	117	Do. . W.H. & S.	During the last two years, the Committee had come across cases which, in view of the conflicting opinions expressed by the Law officers could not be proceeded with to a successfull end. They would like that Government should give some thought to this matter.
	118	W. H. & S. . .	The Committee would like to be apprised of the final outcome of this case.
42	120	Do. . .	While the Committee agree that the Cashier was primarily responsible for the loss in cash in their opinion, the Executive Engineer was also at a fault for his contributory negligence and laxity of financial control.
	121	W. H & S. . . All other Ministries.	The Committee should urge that severe notice should be taken of and deterrent punishment meted out to officials who act in utter disregard and in violation of the rules and instructions on the matter and are guilty of gross negligence. Early steps should be taken to work out the net loss to Government and obtain the concurrene of the Finance Ministry for writting off of the loss.
43	123	W. H & S. . .	The loss on the purchase of medical stores in this case reveals the un-businesslike manner in which the Supply Organisation had acted resulting in nearly three years' delay and extra cost to Government in obtaining the medical stores which were urgently required.
44	127	Do. . .	The Committee are surprised that in the case of misappropriation of Government money to the tune of Rs. 12·57 lakhs by an auctioneering firm departmental action against the officials involved had not yet been investigated, although more than 8 years had elapsed. They regret to observe that three of the officials involved had either resigned, retired or migrated to Pakistan. They could not get any satisfactory explanation as to why departmental proceedings were not instituted at the same time it was decided to launch criminal proceedings against the firm.
45	132	Do. . .	The Committee desire that in the matter of placing overseas contracts, the relative advantages of F.O.B. and C.I.F. basis of contracts should be watched over a period of years with a view to evolve a formula for general guidance.
46	133	W. H. & S . . All other Ministries.	The Committee were surprised to learn that the delay in the completion of the construction of a house requisitioned by Government was

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			attributable to the inadequate delegation of powers. They trust that Government would review the existing powers of authorities and make suitable delegation of powers so as to avoid a recurrence of such cases.
47	138	W. H. & S. . .	The Committee believe that arrangements, already exist in the India Store Department London, and elsewhere for keeping a check on the progress of deliveries and on the due compliance of certain conditions, especially in cases where, because of these conditions the contract has been given to a higher tenderer in preference to a lower acceptable tenderer. It should be noted here that action to lodge a claim has been taken in this case only after an enquiry was made by the Lok Sabha Secretariat. The Committee would suggest that an enquiry which would examine this aspect and which would lead to the devising of measures to remove any existing defects in the present machinery would be worthwhile.

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